

INVESTIGATION

RE

DEPARTMENT OF MARINE AND FISHERIES

COMMISSIONER'S REPORT

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OTTAWA

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INVESTIGATION RE DEPARTMENT OF MARINE AND FISHERIES.

REPORT

To the Honourable L. P. BRODEUR,
Minister of Marine and Fisheries.

Pursuant to the directions of the commission, dated April 6, 1908, issued by you, and under authority of an order-in-council bearing date the 1st April, 1908, I proceeded to investigate the matters referred to me.

The text of the order-in-council and of the commission is annexed hereto.

The investigation was conducted by me as Judge of the Exchequer Court of Canada in open Court, all witnesses giving their evidence under oath.

With the able assistance of counsel I have endeavoured to make the investigation as thorough as possible.

The only agencies of the Marine Department not inquired into were those in British Columbia and Prince Edward Island.

I concluded that as no charges had been specifically made against any of the officials in either of those districts, the great expense and loss of time that would be incurred and occasioned justified me in omitting to inquire as to those agencies.

If, however, it is thought that inquiry should be made in British Columbia and Prince Edward Island, I am willing to make the inquiry. I do not think that it is necessary.

The press throughout the country have given such full and fair reports from time to time of the evidence that I must apologize in advance for the length of this report.

As the matters investigated affect the character of officials, I think, notwithstanding the full reports, it is my duty to deal specifically with the facts as to each official.

Misconception has arisen as to the scope of my commission and the power conferred upon me and the duties devolving on me. I think, therefore, I should point out the scope and object of the commission.

On the 8th and 9th of May, 1907, Messrs. Courtney, Fyshe and Bazin were appointed by His Excellency, the Governor-General of Canada in Council, Commissioners to inquire into and report upon the operation of the Act respecting the Civil Service of Canada and other matters.

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In that part of the report relating to the Marine and Fisheries Department Mr. Courtney took no part, the report being that of Messrs. Fyshe and Bazin.

In their report Messrs. Fyshe and Bazin used the following language:—

‘There is not only a lack of efficient organization and method in the department. There would also seem to be a lack of conscience. In connection with the enormous expenditures which are deemed necessary, the word ‘discount’ never appears. It is tacitly assumed that there is no such thing ; but the whole commercial world knows otherwise. If no one gets any benefit from trade with the government except the trader, then it must be clear that in these great purchases made for the government, without discount, its officers must be assisting the trader to get better prices from the government than he can get anywhere else ; for everywhere else he has to give discount. In other words, some of the government’s officers are serving two masters, and apparently succeeding with both—scripture notwithstanding.’

In the memorandum submitted to the Committee of the Privy Council and approved by His Excellency the Administrator, it is assumed by the Minister that the language quoted above charges that commissions are received improperly or enhanced prices paid through dishonesty on the part of officials of the Department of Marine and Fisheries.

The memorandum states that—

‘Unfortunately the report does not mention any names which would enable him (the minister) to take definite action concerning those officials. It is, however, in the interest of the Department of Marine and Fisheries and of the country that immediate steps should be taken in order to determine what officials (if any) deserve condemnation and to give to all an opportunity to meet the charges implied.’

Thereupon the commission, dated 6th April, 1908, appointed me the commissioner:—

‘To investigate and report upon certain statements contained in the Report of the Civil Service Commission reflecting upon the integrity of the officials of the Department of Marine and Fisheries or some of them.’

Some limitation had to be given to the inquiry, and as the charges made by the report of the Civil Service Commission are mainly confined to the fiscal years 1904-5, 1905-6, and 1906-7, I limited the investigation in the meantime to those years.

The next question arose as to the method of procedure.

It would have been easy to summon each official and inquire whether he was guilty of the charge made. I did not consider that such a course would have elicited the truth.

I therefore concluded that the inquiry should be conducted on the following lines:—

(1) That all contracts entered into for or on behalf of the Crown by any official of the Department of Marine and Fisheries during the fiscal years 1904-5, 1905-6 and 1906-7, either for work to be performed on the property of the Dominion or for supplies purchased for or on behalf of the Dominion must be investigated.

(2) That the prices paid must be ascertained.

(3) That the current market rates for wages or goods at the time of such contracts or purchases should be ascertained ; also the prices governing such purchases for large quantities and the discount (if any) usually allowed.

If it appears that a larger amount has been contracted to be paid in any particular case or cases, then it becomes necessary to inquire into the reasons for such overpayment, and the official making such overpayment should have the opportunity afforded him of exculpating himself if possible.

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I have set out in a general way only my views as to the scope of the inquiry. I have only indicated certain heads of inquiry.

It will be readily appreciated that such an inquiry necessarily involved a very onerous and burdensome task.

I had to depend on counsel to produce the evidence outlined.

The government appointed G. H. Watson, Esq., K.C., and J. L. Perron, Esq., K.C., as counsel.

I expressed the opinion at the outset that their work would be thoroughly and well done. At the close of the investigation I am glad to state that my opinion was well founded.

No one not cognizant of the details of the investigation can appreciate the magnitude of the work committed to counsel, the difficulty of procuring evidence, &c.

I think to Messrs. Watson and Perron the credit is mainly due if any good results from the investigation.

I would also like to place on record how much counsel and myself are indebted to Dr. Morse for the manner in which he performed his duties as secretary. It was essential that I should have a secretary in whom I had the fullest confidence.

The scope of the investigation was so broad and involved so much evidence that naturally a good many persons would be under the impression that my powers and duties were wider than they are.

I wish to point out, however, that my instructions limited me to ascertain the guilt or innocence of any official charged with lack of conscience or of directly receiving bribes or other perquisites.

The evidence, while voluminous, was directed to this object. I was not appointed to take an account of all overpayments.

I endeavoured as far as possible to allow the fullest opportunity to any official charged to explain and to appear by counsel, if he so desired. My desire has been to exculpate and not to incriminate.

It must be apparent to any one conversant with an investigation of this nature that great difficulty would be encountered in arriving at the truth, and a perusal of the evidence will demonstrate the truth of this statement.

I have endeavoured to form a judgment based on evidence, and not on rumours with which the atmosphere was surcharged.

Later on I will find it necessary to deal with each individual against whom any specific charges have been made.

Before proceeding to details, there are a few general questions that have to be dealt with.

I wish it to be clearly understood that in no sense am I sitting as judge on appeal from the report of Messrs. Fyshe and Bazin.

These gentlemen had as high, if not a higher position than myself under their commission.

I do not desire by any remarks of mine to detract from the value of their services.

In some instances, which I will have to mention, I feel satisfied that had the evidence adduced before me been produced before them their report would have been different.

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I directed Messrs. Fyshe and Bazin to be subpoenaed, not that I had any power or inclination to compel them to give evidence, but in the hope that they might be able to define and locate their charges against officials and so shorten the investigation ; also with the object of ascertaining whether they were in possession of any facts other than those set out in their report and appendix which might assist me.

Mr. Courtney was not called. He was not a party to the report affecting officials of the Department of Marine and Fisheries.

The result of the examination of Messrs. Fyshe and Bazin is that they declined to excuse or accuse any individual official.

Their view, as expressed in their evidence, is that the system adopted in the Marine and Fisheries Department was entirely wrong, and that therefore someone was responsible, and that it was necessary to ascertain who was responsible.

They also stated that everything they knew connected with the department is contained in their report and appendix.

THE LIGHTHOUSE BOARD.

In their report the Commissioners, Messrs. Fyshe and Bazin, state as follows:—

' A great part of your Commissioners' time has been given to the files connected with the buoy service, which is one of the most important branches of the department. About three years ago the department took a new, and apparently vigorous, departure in the effort to supply new and approved aids to navigation. This work, which had been under the charge of the Chief Engineer, was divided up, and a Lighthouse Board was established, apparently with the idea of effecting better results by making a specialty of this branch of the department. A new officer was appointed in connection with it called the Commissioner of Lights, whose whole time is now given to its management, which includes the management of a lighthouse depot established at Prescott, where a great variety of work is carried on connected with the lighthouse and buoy service. Your Commissioners have to report that in their opinion this new departure has been a most unfortunate one so far as the efficiency of the special work is concerned ; and it certainly has not added to the general efficiency of the Marine and Fisheries Department.

' The Lighthouse Board consists of six members : Lt.-Col. F. Gourdeau, Deputy, Marine and Fisheries Department, Chairman ; Lt.-Col. W. P. Anderson, Chief Engineer, Marine and Fisheries Department ; Commander O. G. V. Spain, Marine and Fisheries Department ; J. F. Fraser, Commissioner of Lights, Marine and Fisheries Department ; Hugh A. Allan, Montreal, Allan Line of Steamships ; Capt. J. W. Troupe, Victoria, B.C., Manager Canadian Pacific Railway Steamships Lines in British Columbia.

' Four of these gentlemen are the senior officers of the Marine and Fisheries Department, while the other two represent the shipping interests. This board seems to have no duties but the giving of their decision upon all applications for new or approved aids to navigation coming to them from all parts of the country, from the Straits of Belle Isle and Newfoundland in the east to British Columbia in the west. Whatever importance their decisions may have (and they mean much when expressed in dollars) it does not concern them. Figuring as an impartial and skilled tribunal, passing upon all demands for government money under the plea of necessary aids to navigation, they can do so without the slightest sense of responsibility, for they absolutely incur none. The responsibility for all consequences is immediately assumed by the Marine and Fisheries Department, although the head of that department is not a member of the Lighthouse Board and personally cannot be considered responsible for them.

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‘Between June, 1905, and June, 1907, this board approved of and passed applications for new and improved aids to navigation amounting to \$1,691,813. With the voting away of this vast sum of money the responsible minister had nothing to do. He was simply asked to initial the minutes of the different meetings of this most powerful but irresponsible board. The effect of this state of things is disastrous. It means practically the removing of all responsibility from those to whom extensive powers of administration any expenditure are granted.

‘When one realizes the enormous pressure being constantly brought to bear on the government of the day in favour of grants and bounties of all kinds, from one end of the country to the other, it would surely seem to be a most unwise thing to create a board with extensive powers, which can be and are used in sympathy with this universal outside pressure, and without being accountable to anybody.

‘The two outside members of this board simply represent the shipping interest, which is their own. They cannot serve the country and themselves equally well in the same matter. The other members of the board are government officials, who, whatever their standing may be, personally or officially, are not independent of political influence or departmental pressure. They are in no proper sense qualified to fill such a position of trust as a seat on this Lighthouse Board should mean—where the most absolute sense of justice, with complete independence, is called for; with a keen desire to administer the people’s money with the utmost economy and good judgment, and with all personal considerations sunk.

‘If the board is intended to be a permanent institution it should be reorganized; and the Minister of Marine and Fisheries should be a member of it, as being chiefly responsible for the finding of its expenditures.

‘There can be very little question that the Lighthouse Board has been the means of greatly increasing the expenditure of the department, and that much of the increase has been wasted.’

It became my duty, in pursuance of the scope of the evidence indicated at the opening of the investigation, to investigate this subject.

I have nothing to do with the policy of the government as to the improvement of the navigation of the St. Lawrence and the Upper Lakes. All that concerns me is whether, in the course of such improvements, any official has been guilty of lack of conscience or has received moneys or other gratuities improperly.

In order, however, to arrive at the facts a full inquiry was made.

I am quite satisfied that had Messrs. Fyshe and Bazin heard the evidence adduced before me, the language quoted above would not have been used.

The improvement of the navigation of the St. Lawrence and Upper Lakes has been the subject of consideration by the various administrations that have held office since confederation.

In 1900, a more vigorous policy was adopted and has been pursued to the present time.

No Canadian, who has the interests of his country in view, can fail to appreciate the work that has been accomplished and the benefits accruing to the country from such works.

A perusal of the evidence of Messrs. Hugh and Andrew Allan, Mr. Robb and Mr. Cowie will make this apparent to any one.

I feel that an injustice has been unwittingly done by the Civil Service Commissioners’ Report to Mr. Hugh Allan and also to the other members of the Lighthouse Board in connection with their work as members of the Board.

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Whether some officials of the department are blameworthy in respect to overpayments in connection with these works is another matter to be dealt with separately.

The Lighthouse Board is merely an advisory board.

Mr. Hugh Allan is on the board as representing the shipping interests. It is quite true that any improvement to navigation affects the interests of the Allan line, but it equally benefits the Canadian Pacific Railway Steamship Company and several other steamship companies. No personal benefit accrues to the Allan line which other vessels do not share in. The community at large benefits by the improvements in navigation.

The Dominion as it grows must meet the requirements of the shipping interests, otherwise commerce would leave Canadian ports.

The Board receive reports from various sources detailed in Mr. Allan's evidence. They carefully sift the facts contained in each recommendation. If they approve, they send on the recommendation to the minister, and it was for him and the government to consider whether the finances would permit the expenditure recommended, and as to the advisability of the work.

The statement that the responsible minister has nothing to do with the voting away of the immense sums appropriated for improvements to navigation and merely initials the minutes of the meetings 'of this most powerful but irresponsible Board' is not in accordance with the facts.

As stated before, the Board merely makes recommendations, which the government can adopt or not as they think fit.

No one is better qualified to judge of the requirements necessary to improve navigation than the shipping interests.

The government obtains the services of these gentlemen practically free of expense.

I am perhaps going out of my way in dealing with this matter, but as Mr. Hugh Allan is a member of the Lighthouse Board and a quasi official of the Marine and Fisheries Department, and as considerable evidence has been adduced before me not produced before Messrs. Fyshe and Bazin, I feel it my duty to report that no charge of wrong-doing or serving his own interests or those of the Allan Company should be imputed to Mr. Allan. The Allans necessarily benefit with all other vessels by the improvements.

THE PATRONAGE LIST.

Let me quote from the evidence of Colonel Gourdeau, the Deputy Minister of Marine and Fisheries, a few passages which show the loss the country, in his opinion, sustains in dollars and cents.

(Page 766, volume 3.)

'Mr. WATSON.—Q. But why should the department buy by retail? Are you not 'always able to buy at wholesale prices?—A. Certainly, but it is not the policy of the 'government so far.

'Q. What do you mean by that?—A. Because there is a patronage list. We are 'obliged to go to certain people to buy goods from.

(Page 767, volume 3.)

'Hon. Mr. CASSELS.—Q. Why are you compelled to buy retail?—A. I think we are 'adopting a much better plan now; but as I mentioned, my lord, up to then there was 'a list of people from whom we had to purchase.

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‘Mr. WATSON.—Q. What do you mean by had to purchase?—A. If, for instance, Jones, Robinson, and White were on the list for flour, we had to go to those people for flour.

‘Hon. Mr. CASSELS.—Q. It simply means you lost the difference between the whole-sale and retail price by going to the patronage list?—A. Yes.

‘Hon. Mr. CASSELS.—Q. Can you give any idea of what amount in dollars and cents the country has lost during the last three years by that method?—A. A very large amount, but I would be very——

‘Mr. WATSON.—Q. Do you mean by higher prices?—A. Certainly.

‘Hon. Mr. CASSELS.—Q. In dollars and cents how much during the last three years? You say a large amount. I want to get some idea of what you mean by a large amount?—A. Oh, I would not like to give my opinion. It would be a very large amount.

‘Q. Would it run into millions?—A. Oh, no, no. It might be a couple of hundred thousand dollars.’

Further on Mr. Watson asks:—

‘Q. Do I understand you to make the statement that during the last three years two hundred thousand dollars has been paid in excess of regular and proper prices by reason of the existence of a patronage system?

‘Hon. Mr. CASSELS.—He does not say that. He says during the last three years two hundred thousand dollars has been paid by reason of this patronage list, which might have been saved if they had done what might have been done, bought whole-sale.

‘Mr. WATSON.—Q. Do you say that?—A. Certainly.’

On the 14th of May, 1908, Mr. Doutre was appointed Purchasing and Contract Agent for the Department of Marine and Fisheries.

The patronage list was still continued in a modified manner.

Mr. Doutre in his evidence, page 526, volume 2, states as follows, referring to his appointment as purchasing and contract agent:—

‘Hon. Mr. CASSELS.—Q. One thing. Have you had sufficient experience in your new position to make an estimate of what the new method of purchasing will save the country in future per month?—A. Well, I have never given the matter very much thought. I expect, I have no doubt the saving will be large.

‘Q. What do you call large, \$100,000, a million?—A. Hardly.

‘Q. One thousand dollars?—A. Yes.

‘Q. What do you think the difference will be under the new system?—A. I should say \$50,000, if not double that, a year.’

It is hardly necessary to remark that these figures are probably within the mark.

On the 24th of November, 1908, I was officially notified that the present Minister had abolished the patronage system so far as the Marine and Fisheries Department is concerned, he no doubt recognizing the evil effects resulting therefrom.

The system seems to have been handed down from one administration to another since confederation.

To my mind the adoption and continuance of the system is absolutely wrong.

It apparently is based on the old maxim, ‘to the victors belong the spoils,’ utterly ignoring the fact that the money to be disbursed is money contributed by the people generally, and not the money of the political followers of the party at the time being in power.

The revenues of the Dominion are entrusted to those in power to be expended as any other trust moneys should be expended, namely, for the best advantage of all.

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The baneful effects of the system, not merely limiting the effects to the extra expenditure of money, but in its effect on the demoralization of the agencies can be appreciated by a perusal of the evidence taken in Quebec, St. John and Halifax.

I refer to this question thus generally in order to avoid repetitions and dealing with particular cases.

No one can reasonably complain if, in an open market and with fair competition, friends who furnish goods of equal quality with goods furnished by political opponents and at equally low prices, are preferred, but every one should have the same opportunity of tendering no matter what political party he supports.

THE WILLSON GAS BUOYS.

A considerable amount of evidence was given as to these buoys.

An enormous amount of money has been spent in the acquisition and placing of the buoys.

The policy of adopting these buoys is not properly a subject for my opinion. It is a question of the policy of the government connected with the improvement of the navigation of the St. Lawrence and Upper Lakes.

It, however, became necessary for me to investigate this question.

I find no evidence of any improper expenditure by Mr. Willson or those employed by him to appease officials of the government and promote the interests of the company incorporated to manufacture and sell these buoys.

On the evidence adduced before me these buoys are unquestionably of great value as aids to navigation.

This being so, I was furnished with a statement of the cost of production of the buoys.

I thought the reasons given in support of the contention that the cost of manufacture should not be made public were reasonable.

No attack has so far been made against the patents on the ground of over-charge or that the patentees were not selling at a reasonable price.

The statements were corroborated by sworn testimony, and I did not think it fair to allow any further public disclosure of cost.

Moreover, the purchase of the earlier buoys and the subsequent purchases from time to time have been ratified by orders in council.

It may be that the profits obtained by the company are not reasonable, more particularly having regard to the fact that the company were allowed to import all materials for use in the manufacture of buoys and beacons for the government free of custom duties.

As I find no proof of any improper payments by the company to officials, I do not deal with the subject further.

THE DIAPHONE FOG SIGNAL.

In dealing with this question it is fair to the patentee and the assignee of the patent rights who manufacture the diaphone to point out that the validity of the patents is not in issue before me.

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It should also be considered that the owners of the patent and those interested in the manufacture of the diaphone were not represented by counsel.

It would be impossible to conduct any litigation properly if witnesses were allowed representation by counsel.

The question as to the prices paid for the diaphone became of importance as affecting the question of lack of conscience on the part of some of the officials.

As far as the evidence shows, the diaphone is of great value as an aid to safe navigation.

The department purchased about forty diaphones.

The quoted rate for each diaphone was the sum of \$4,600; the actual cost of the diaphone was \$230.

The patent for the diaphone was owned by an American company.

The Canadian Fog Signal Company manufactured or procured to be manufactured this diaphone.

The patentee under the Canadian Patent Laws had to manufacture or cause to be manufactured the patented invention in Canada.

They therefore entered into an agreement with Mr. Northey for the manufacture and sale in Canada.

The Patent Act of the Dominion in force at the time of the sale of these diaphones is as follows:—(I may say that there has been no change affecting this question since this Statute.)

Section 38 of the Patent Act provides:—

‘That every patent shall, unless otherwise ordered by the Commissioner as hereinafter provided, be subject and expressed to be subject to the following conditions: (a) Such patent and all the rights and privileges thereby granted shall cease and determine, and the patent shall be null and void at the end of two years from the date thereof, unless the patentee or his legal representatives within that period, or an authorized extension thereof commence and, after such commencement, continuously carry on in Canada the construction or manufacture of the invention patented in such manner that any person desiring to use it may obtain it or cause it to be made for him at a reasonable price at some manufactory or establishment for making or constructing it in Canada.’

Section 52 provides:—

‘The Government of Canada may at any time use any patented invention, paying to the patentee such sum as the Commissioner reports to be a reasonable compensation for the use thereof.’

The question arises, what is a reasonable price?

If the patentee demands an exorbitant sum, and the would-be purchaser offers what the Court considers a reasonable price, and the patentee refuses to sell at such price, then the patent becomes void.

Unquestionably a liberal sum should be allowed.

The patentee by his agreement with the manufacturer has fixed the royalty payable for the value of the invention.

At the outside this sum would be \$400 for each diaphone.

The greater number of diaphones purchased by the government were three inch diaphones, for which the royalty fixed is the sum of \$200.

The manufacturer cannot claim an additional sum to be added to the price for the value of the invention.

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If, therefore, to the cost be added the royalty at, say, \$400, the amount would be \$620.

What would be a reasonable sum to add for manufacturer's profit?

If even one hundred per cent were added the total would be, cost \$220, royalty \$400, profit \$220, total \$840.

The plant for operating the diaphone is open to anyone to manufacture.

Mr. Nearn, the secretary-treasurer of the company, in his evidence in June last stated that the company had no profit on the plant. He stated that the diaphone cost \$400, but that they supplied the plant as well at less than cost.

Mr. Northey in his evidence of June last states:—

(Page 413, volume 2.)

'Mr. WATSON.—Q. . . The diaphone you sold for \$4,600 cost how much?—
'A. \$600 about.

'Q. Mr. Nearn said about \$400 or \$500?—A. Well, then it would cost \$600
'with the royalties, over \$600 with the royalties.'

'Q. So that upon the diaphone itself, the three inch, you would have a profit of
'\$4,000?—A. About that.'

Again at page 417, volume 2, in answer to the following questions I put to Mr. Northey, he states:—

'Q. We want to get the facts now, and the sooner we get them the better. The
'point is simply this, that Mr. Watson is asking: You made a profit from the gov-
'ernment on this diaphone of \$4,000 or thereabouts which costs \$600; you went out-
'side to the manufacturers and bought the plant that had to go with that, and you
'sold that plant to the government at a price which recouped you what you paid for
'that plant. Apparently at present your profit was about \$4,000 on a \$600 machine.
'That is what Mr. Watson is driving at.—A. Quite so.'

'Mr. WATSON.—That is the position?—A. That is right.'

'Hon. Mr. CASSELS.—That is really what it comes to.'

'Mr. WATSON.—So on the plant part you are practically even according to the
'statement you made now to his lordship, and your profits are on the diaphone?—A.
'That is quite right.'

'Q. The diaphone is what you have the patent upon?—A. Yes. We have no
'patent on the plant.'

A perusal of the evidence of Mr. Nearn and of Mr. Northey will show the immense profits made by the company without any capital.

At the last sittings these gentlemen tried to vary their previous evidence and reduce the profits, but not very successfully.

The gain to the department from the fact that they pay less for the present plant and diaphone than for the former plant and siren may be an element to be considered in ascertaining what is a reasonable price, but the patentee takes his grant subject to the provisions of the statute, and must sell at a reasonable price, and the patentee is not at liberty to add to this reasonable price the supposed additional benefit to the purchaser.

I do not pursue the subject further as I do not wish to prejudice the patentee in any litigation, and for the further reason that I absolve Colonel Anderson and Mr. B. H. Fraser, from any charge of lack of conscience in so far as any personal benefit was derived by either of them from the officials connected with the sale of the diaphone to the department.

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I must add, however, that both in regard to Colonel Anderson and Mr. B. H. Fraser, had they been dealing on their own behalf they would have taken the trouble to inquire as to what their rights under the provisions of the Patent Laws were.

They were aware that the price charged was excessive. They understood the cost was about \$400. They, however, were ignorant of the provisions of the Patent Act, and seemed to assume that the diaphone being a patented article the patentee could charge what he choose.

QUEBEC AGENCY.

I propose to deal first with the outside agencies and conclude with the Ottawa officials.

A considerable amount of evidence has been adduced in Quebec, St. John and Halifax requiring explanation from officials in Ottawa.

In my opinion a better idea of the manner in which the Department of Marine and Fisheries has been administered can be arrived at by dealing first with these outside agencies.

Since the closing of the evidence I have perused very carefully all the testimony adduced before me, and I am afraid I must analyze the evidence at considerable length.

MR. GREGORY.

Mr. Gregory was appointed in 1870 agent at Quebec.

At the time of his suspension on the 1st of April, 1908, and for years previously he was in receipt of a salary of \$2,200 per annum.

During the fiscal years 1904-5, the expenditure at his agency amounted to \$935,430; 1905-6, \$962,577; 1906-7, \$874,540.

Sometimes Mr. Gregory has advanced moneys of his own in order to pay wages, &c.

He apparently has a grievance against the government in respect of a claim made by him to be recouped interest on moneys advanced by him to meet payments to contractors and others.

He was represented before me by able counsel, Senator Choquette, and the utmost latitude was given to him in presenting his case.

In explanation of his course of dealing he naively suggested as follows :—

(Page 3253, volume 8) :

‘SENATOR CHOQUETTE.—Q. When you advanced money to all the parties mentioned ‘you charged 5 per cent?—A. Yes, and the government got more than half of it to pay ‘—that is one of the reasons why I advanced money, and they speculated on me and ‘I speculated on the others.’

I quote verbatim the question and answer.

The contention put forward on his behalf was that he was acting as a banker in a private capacity, advancing to those dealing with the department moneys certified to be due to them, and his claim is that there is nothing improper in this course of dealing.

If the facts justified his contention I would be of the opinion that such a course of dealing by an agent having the control of the letting of contracts, purchase of sup-

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plies, &c., was highly improper; and I am pleased to state that his counsel has placed himself on record as entertaining the same view.

Denuded of verbiage, the fact is he has been exacting a toll of 5 per cent on the amounts due by the department to contractors and others who had the privilege of dealing with the department.

In a few instances I have no doubt he was kindly inclined and willing to help others, but as a rule his commission was as I have stated.

It may almost be assumed that those paying this commission did not pay it out of their pocket, but so arranged that the prices paid to them amply recouped them for such outlay, and the toll was paid by the country.

In most cases where advances were made the accounts had been certified. It was merely a question of time, running from 30 to 60 days, before the accounts were paid, sometimes a shorter period elapsed, and in some cases where the Department was short of funds a much longer period.

In some instances the contractor or person supplying the goods obtained the endorsement of the agent, but the discount on the notes given was paid by the outsider, and the 5 per cent received by the agent.

I set out in considerable detail some of the evidence, in order that the facts may be appreciated.

James Murphy, rather a prominent merchant, supplied lumber and contractors' supplies, bricks and cement. He is of good financial standing and did not require financial backing.

His dealings with the department amounted to \$43,429 during the three years. Let me quote portions of his evidence:—

(Page 2215, volume 7.)

'Mr. WATSON.—Q. From whom did you receive the orders?—A. From Mr. Gregory, the agent in Quebec.'

'Personally from him?—A. Yes, sir.'

'Do you sell by retail?—A. Yes, sir, sometimes.'

'For the most part?—A. No, sir. For the most part, wholesale.'

(Page 2216, volume 7.)

'No personal knowledge of any competition. You would receive a telephone message, saying, for instance, that a certain quantity of goods were required for delivery at a particular time?—A. Yes, sir.'

(Page 2217, volume 7.)

'Q. The department is one of the best and most desirable customers, is it not?—A. Yes, sir.'

'Q. So that in trade the patronage of the department is coveted, it is desirable?—A. Naturally; no chance of bad debt.'

'Q. No possible chance of bad debt, quite so. Something of a favour, perhaps, to get orders from the department, it belongs to the privileged few?—A. A good deal in that, is there not?—A. Quite a lot.'

(Page 2218, volume 7.)

'Q. Well then, that being so the first thing that attracts my attention in this statement, Mr. Murphy, is 'by draft——' did you draw upon the department at Ottawa for the amount?—A. No, sir; I drew upon Mr. Gregory.'

'Q. What?—A. I drew upon Mr. Gregory.'

'Q. You drew upon Mr. Gregory?—A. Yes, sir.'

'Q. But, Mr. Murphy, you did not sell the goods to Mr. Gregory?—A. No, sir; but I made a draft upon him, and his draft was quite easily discounted at any bank.'

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‘Q. You made a draft upon Mr. Gregory?—A. Yes, sir.’

‘Q. Well, well, that surprises me. Are you sure there is not any mistake about that?—A. No, sir.’

‘Q. Has that been the system pursued by you?—A. Yes, sir, that is the system that has been pursued.’

‘Q. For how long?—A. Well, I think the last four or five years.’

‘Q. Did it prevail before that time?—A. No sir, not with me.

‘Q. Not until then?—A. No, sir.

‘Q. Who first suggested that—Mr. Gregory?—A. Yes, sir.

‘Q. Mr. Gregory suggested that you should draw upon him?—A. Well, he suggested that I would naturally supply large quantities of material to the department, that I had to pay for this material and I wanted my money.’

(Page 2220, volume 7.)

‘Q. I mean to say you have your banking financial credit, like a house of your standing usually has?—A. Yes.

‘Q. Quite so. You are always able no doubt, you get what accommodation you may require in the regular way through your banks?—A. Yes.

‘Q. Quite so. I wanted to be just sure of that. Now then, Mr. Murphy, that appears to be a very astonishing fact that that draft should have been put in by you upon Mr. Gregory and accepted by him. What did you pay Mr. Gregory for that?—A. I paid Mr. Gregory 5 per cent.’

He goes on to state that he paid 5 per cent on every draft.

‘Q. You paid him 5 per cent on all orders received by you during the last four or five years? Is that so?—A. Practically.’

His evidence proceeds showing the actual sums paid year by year.

(Page 2226, volume 7.)

‘Q. At that time you knew that Mr. Gregory had to do with the giving of the orders?—A. Yes, sir.

‘Q. Yes, that is right, that that depended on his discretion?—A. Yes, sir.

‘Q. The giving of the orders depended on his discretion?—A. Yes, sir.

‘Q. And you knew that his discretion would be much more likely to be exercised in your favour if you gave him a commission, is that not so, plain and straight?—A. Yes, sir.

(Page 2240, volume 7.)

‘Q. Now you sold to the department at retail prices?—A. Yes.

‘Q. Always at retail prices?—A. Usually.

‘Q. But you are a wholesaler?—A. I always try to get the most I can.

‘Q. Then the department would know and Mr. Gregory would know that you are a wholesale man?—A. Yes.

(Page 2241, volume 7.)

‘Q. And I take it from what you said that you found the department a very easy buyer?—A. Yes.

‘Q. Now, then, Mr. Murphy, just try and think, will you say it was less than 25 per cent that you got in excess of your retail prices from the department?—A. In excess of my retail prices?

‘Q. In excess of your closest retail prices?—A. Well, in some cases, but not in all.

‘Q. In some cases you get as much as 25 per cent?—A. But not in all cases.

(Page 2242, volume 7.)

‘Q. Is it not a clear settled fact Mr. Murphy, that taking the whole average—just listen to what I say now—that taking the whole average you got not less than 15 per cent over your close retail prices on the whole average?—A. No sir. On the whole average I would say 10 per cent not exceeding.’

(Page 2243, volume 7.)

'Q. You allowed him (Gregory) 5 per cent and that is the reason you allowed him 5 per cent?—A. What reason Mr. Watson?

'Q. Because you got an extra price, that had to do with that?—A. Naturally as a business man, I added on the 5 per cent to the cost of the goods.'

'Q. And you say naturally the 5 per cent you paid to Mr. Gregory was added on to the price?—A. I considered it should be added to the price.'

A letter had been signed by Mr. Murphy. The form of letter was drawn by Mr. Gregory, and signed by others.

Mr. Murphy's view of the meaning of this letter is expressed at page 2245:—

'Mr. WATSON.—Q. Ever any kind of letter written that might be said to be an explanation or cover of it?—A. As I said before, sir, I did write a letter, perhaps two, in Mr. Gregory's office at his dictation, but I have not a copy of them.

'Hon. Mr. CASSELS—When was that written?

'Mr. WATSON.—Yes, when was that?—A. Four or five years ago. No doubt Mr. Gregory has copies of them.—Q. Yes. Four or five years ago, and that was at his dictation. How did that come about?—A. At his dictation he simply said, 'You sit down and write such a letter.' I sat down and gave him that letter.—Q. Write such a letter. That was to be taken as the reason for the 5 per cent commission, was it?—A. Yes, it was.—Q. Of course, that was just a cover, was it, plain and straight?—A. Well, perhaps it was.'

Then at the foot of page 2263, volume 7:

'Q. I do not desire any repetition of that this morning, but I want to ask you whether you were personally aware that Mr. Gregory, as the chief agent here, certified in all instances upon the invoices in this way: I certify that the above was duly authorized—that is the order—and that the prices charged are fair and just?—A. Yes.'

(Page 2264, volume 7):—

'Q. But you appreciated then throughout that he would no doubt be called upon to certify that the prices were just and reasonable?—A. Yes, I concluded he would.'

(Page 2336, volume 7):—

'Q. So that any reasonable credit that you required or any reasonable amount of cash was not difficult of arrangement with your bankers in the ordinary course of your business?—A. Not very.—Q. No, not very. So that, Mr. Murphy, if you desired to have an additional sum of \$500 or \$1,000 you were not like some of us at a loss in getting money from your bankers, you could take your note to your bank and make your financial arrangements?—A. Usually so.—Q. It was not a matter therefore of necessity for you to go on the streets to get money from brokers at exorbitant rates of interest?—A. No.'

(Page 2337, volume 7):—

'Q. So, as you said yesterday, there were other business reasons than your necessity for money, straight and clear?—A. Am I obliged to answer that?

'Hon. Mr. CASSELS.—Certainly.

'A. Yes.

'Mr. WATSON.—And the other business reasons were the procuring of these orders from the department?—A. Yes.'

In answer to me (page 2351, volume 7) he puts it:—

'Q. But you expected other orders to come which, if you got, would give you funds to wipe out the indebtedness?—A. Yes.

'Q. That is the position?—A. Yes.

'Q. Two positions: One, orders given for which money was coming, the other, favours to come, which you hoped would make things all right?—A. Exactly.

'Q. That was plainly the result?—A. Exactly, my lord.'

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‘Mr. WATSON.—Then you said to me yesterday and to-day that those transactions were not matters of business necessity with you. You have also said that it was not a matter of payment of interest to Mr. Gregory. Now, then, just keeping to these premises, to these facts, it was a matter of payment of the 5 per cent as a commission or whatever you may call it, for some ulterior purpose, was it not?—A. Yes.’

(Page 2352, volume 7):—

‘Q. Hon. Mr. CASSELS.—A bonus for favours or orders?—A. Yes, my lord.’

‘Q. If your evidence is true, the effect is simply this, you were paying Mr. Gregory simply a bonus of 5 per cent in order that you might get orders from him for goods for the government?—A. Exactly.’

I think these few quotations sufficiently explain themselves.

William R. Blakiston, a sail maker in Quebec, is asked:—

(Page 2279, volume 7.)

‘Mr. WATSON.—Q. And coming directly to the point, apart from others, how much commission did you pay?—A. To Mr. ———, I paid 5 per cent.’

‘Q. 5 per cent. And to whom did you pay the 5 per cent commission?—A. In the time of Mr. Gregory, in his time I paid him the 5 per cent.’

Then referring to the system. (Page 2291, volume 7):—

‘Q. Did you learn that from Mr. Gregory?—A. Well, he told me when I started for myself. He said, ‘You know I am not very rich,’ and if I would need any money he would advance me the money.’

‘Q. Mr. Gregory told you that?—A. Yes.’

‘Q. If you needed any money?—A. He told me it would suit my business, don’t you see.’

‘Q. He told you what?—A. He told me the government was a long time sometimes before they sent cheques, 3 or 4 months at a time.’

Later on he states. (Page 2297, volume 7):—

‘Q. He (referring to Mr. Gregory) got 5 per cent on every invoice, I understand?—A. Well, no not on every invoice I could not say. Five per cent on the total amount of what I got through the year.’

‘Q. Well, that was represented by the amount of sales.—A. Yes, by the amount of sales.’

And he states that on the goods sold by him to the department he got about 30 per cent profit.

James Holliday, another prominent merchant in Quebec, states that he got accommodation from Mr. Gregory in the shape of drafts. (Page 3387. Volume 8):—

‘Mr. WATSON.—Q. What did you do with the drafts?—A. I think they went through the bank.’

‘Q. That is, you discounted the drafts?—A. Yes.’

‘Q. And you paid the bank, I assume, discount interest?—A. Yes.’

(Page 3438, volume 8.)

‘Hon. Mr. CASSELS.—Yes. It is said that commission was paid upon this \$24,831.’

‘Senator CHOQUETTE.—Yes, I am willing to admit 5 per cent on the face of those drafts.’

Allison Davie, a prominent merchant of Quebec is asked (Page 2621, volume 7.):

‘Mr. WATSON.—Q. How much have you paid Mr. Gregory during that eleven years, about how much on the average?—A. \$500 a year.’

‘Q. \$500 a year to Mr. Gregory? Is that in connection with the business of the department?—A. Well, he would——’

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'Q. Just answer. Can you say whether or not it is in connection with the business of the department?—A. Yes, sir.'

Mr. Davie made his cheques payable to bearer, had them cashed and the money handed over. He is asked why he adopted this course, and the following question is put to him (Page 2625, volume 7):—

'Q. Why did you not give a cheque right out payable to J. U. Gregory?—A. 'Because I tried to shield him.'

I refrain from any further quotations of evidence as the evidence is all before you. I merely set out these few quotations in support of what I have previously written in regard to the course of dealing pursued by Mr. Gregory.

I would like to state in reference to Mr. Gregory, that while my duty requires me to place before you, Sir, the facts as proved, nevertheless the fact should not be overlooked that Mr. Gregory has devoted the greater part of his life to the service of the Marine Department. He is now a man on the verge of the grave. I have no doubt his services have been of value. He has often been placed in a difficult position in regard to funds.

Later on when dealing with the Ottawa officials I will have to refer to certain correspondence passing between him and the deputy minister.

It is neither my duty to condone or punish, but while each one must arrive at his own conclusion on the facts as proved, nevertheless some consideration ought to be extended to Mr. Gregory on account of the services performed by him.

I proceed to deal with individual cases of officials charged in the Quebec evidence with having received bribes.

The conduct of some of these officials who have been guilty deserves nothing but condemnation.

They were placed in positions of trust. They were entrusted with duties requiring them to protect the interests of the department as against the contractors and others from whom they received gratuities.

They seem to have been ignorant of the injunction in the Mosaic law against receiving gifts, 'for gifts blind the eyes of the wise and change the words of the just.'

Before however dealing with the cases separately I think it is right to point out that those who bribe are, if anything, more culpable than those receiving the bribes.

Also, in considering the various cases each should be judged separately; some are more guilty than others. In some instances the official was engaged in an occupation and was of a class of life that might lead him to believe he was doing no wrong. It is my duty to set out the facts.

It may be taken for granted that these gratuities were not at the expense of the donors, but at the expense of the country.

James J. Murphy, of Quebec, states that he paid Louis Gagne, foreman of the wharf, whose duty it was to report on the quantity and quality of the goods supplied, the sum of \$645 between January, 1904 and July, 1908.

He was usually getting retail prices for the goods sold to the department.

He refers to the fact of giving gratuities to foremen. His explanation for these payments is as follows (Page 2229, Volume 7):—

'Mr. WATSON.—Q. Small amounts paid to foreman?—A. In the way of gratuity 'to keep them in good humor.'

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‘Q. I see to keep them in good humour, that is in this branch of course?—A. Yes, sir.

‘Q. That means, speaking as people may speak sometimes, out of court, a little ‘grease off and on?—A. Exactly, sir.

‘Q. Oiling the machine, I see. And to whom were these payments made, what are names of the persons?—A. Am I obliged to answer that?

‘Q. Yes, if they are in the department, distinctly so?—A. Well, the only one I ‘have record of is a man named Gagne and the others——

‘Q. You have a record of the payments to him?—A. Yes, sir.

‘Q. And how much did you pay to him?—A. From 1904, from January, 1904 to ‘July, 1908, \$645.

‘Q. To Mr. Gagne, \$645. And what was his position?—A. He was foreman of ‘the store, I think.

‘Q. Foreman of what?—A. Foreman of the wharf of the Marine department.

‘Q. Here at Quebec, foreman of the wharf. What did he have to do with the ‘goods, measure them?—A. Well, I suppose he did in some cases.

‘Q. I see. He had to report the quantities and qualities?—A. Yes. Whether ‘he reported on quality or not I don’t know, if any material was delivered that was not ‘up to quality.

‘Q. It would rest with him?—A. I should think so.

‘Q. It would rest with him to condemn it if it was not up to quality. I suppose ‘that was the reason for paying him, the plain straight fact?—A. As I said before, to ‘keep him in good humor.

Further on in his evidence he states in reference to the payments to Gagne (Page 2236, Volume 7):—

‘Q. Then, Mr. Gagne, \$645, how did that come about, did he make any suggestion? ‘—A. No, sir, not to myself.

‘Q. Not to yourself. Then how did this suggestion come to your knowledge, ‘through whom?—A. I think he mentioned it to one of my employees, sir.’

The employee was named McNeil. Being asked for the substance of what McNeil stated to him his answer is:—

‘The substance of it was that it would be better if there was something coming ‘his way.’

Allison Davis states that he paid McConkey \$200. McConkey was the super-intendent of hulls.

This payment is alleged by Davis to have been made on the 10th September, 1907.

He also alleges that he paid on the 15th October, 1905, to Albert Beauchemin \$50.

Davis is asked who certified to his accounts, and he states (page 2,638, volume 7):

‘A. Generally whoever was in charge looking after the work.

‘Q. Who would that be?—A. Who ever happened to be on the case.’

‘Q. Mr. McConkey?—A. Yes sir, I think.

J. B. Cote, a plumber and dealer in tinware, and having dealings with the department, alleges that he made certain payments to employees of the department.

These payments he alleges were not entered in his books.

He states that he paid Captain O’Farrell certain sums at different times, amounting in all to the sum of \$100. He puts it at page 2630 that it was given to be on good terms with him.

This witness was examined in French and explained that his reason for giving it was to rest on good terms.

He alleges that he paid Captain Koenig \$140. He was doing work on the *Druid*, of which vessel Koenig was the captain.

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He alleges that he paid Fontaine the sum of \$250. Fontaine was the chief engineer of the *Montcalm*.

The manner of this payment was that certain work was done by Cote at Fontaine's house, the bill amounting to something in the neighborhood of \$450. Fontaine paid certain sums on account, leaving a balance due of \$245. This sum was allowed off the amount due.

Captain S. Belanger received the sum of \$100 from Cote. Captain Belanger was captain of the *Montcalm*. Cote states that he was receiving orders and it would be advisable to compensate him.

Pettitt received the sum of \$75.

Cote states that he charged the government a higher price than usual.

F. X. Drolet obtained large sums from the department for work performed in repairing machinery, &c.

His accounts were kept and his disbursements made by a trusted employee named Audibert.

I think it may fairly be assumed that Drolet was cognizant of the payments made by Audibert.

Audibert at the time of the sittings in Quebec was ill and his evidence was taken at his residence in St. Rochs.

Audibert produced his books and a list of payments to officials and others amounting in all to \$9,342.

The list is as follows:—

Narc. Dufour..	\$ 470
Stewart..	220
Nolet..	70
Oullet..	120
Leblanc..	146
Captain Belanger..	105
Paul Bolduc..	1,502
J. Vankoeing..	42
Jos. Lemieux..	35
G. Belanger....	41
Capt. Koeing....	740
O'Farrell..	272
J. A. Pettitt..	697
R. Filteault..	195
Tasker..	60
Louis Gagne..	15
Art. Samson..	25
Leitch..	25
Jos. Ferguson..	30
T. Theriault..	464
C. T. Schmidt..	1,773
Jos. Fontaine..	790
Beauchemin..	1,075
Jos. Belanger..	115
A. Roy..	130
J. L. Richard..	25
Captain McGough..	25
Eug. Belanger..	135

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These payments were made not in single amounts, but spread over a considerable period. The details are given in the evidence of Audibert.

I have no reason to doubt the truth of Audibert's statements.

The entries appeared in the book and were evidently made from time to time.

In most cases the facts deposed to by Audibert have been admitted by the persons to whom the alleged payments were made.

His statement is that the men to whom he gave the money, the names of whom he had given, were the men who certified to the accounts or who oversaw the repairs that they made for the Marine and Fisheries Department.

Adolphe Huot, plumber, alleges that he lent Captain Koeing, captain of the *Montcalm*, the sum of \$40. He could not recollect the exact time, but thinks it was under three years.

He alleges that he lent Albert Beauchemin \$200 about two or two and a half years before his evidence was given.

He further alleges that he lent Koeing, the son of Captain Koeing, who was an employee on board the *Arctic*, the sum of \$40.

All the officials so charged were given the fullest opportunity of meeting the charges. Some of them appeared by counsel.

To deal with them in detail:—

Captain McGough, was formerly captain of the *Champlain*, he is now captain of *La Canadienne*. His appointment to *La Canadienne* dates from April, 1908.

Captain McGough, according to Mr. Audibert's evidence, received the sum of \$25.

He came before me and admitted the receipt of this money.

He gave his evidence in a very straightforward manner, and not only admitted the receipt of this sum of money, but also of some further sums. He was asked about the receipt of the \$25 (page 2660, volume 7):—

'Mr. WATSON.—Q. When did you receive the sum mentioned of \$25?—A. The sum of \$25 was sent to my house in December last year, 1907, in my absence, but somewheres about Christmas time. It was enclosed in this envelope, two ten dollar bills and a five dollar bill.'

'Did you receive that sum?—A. Yes, sir.'

'Q. You received it?—A. And more.'

(Page 2661, volume 7.)

'Q. And what did you mean by saying 'and more'?—A. A year before that, just about the same date, \$50 was sent in the same way as this.'

'Q. And any more?—A. A year before that.'

'Q. That is back to 1906?—A. 1905, I think.'

'Q. Yes.—A. A \$100 was handed to me by Mr. Drolet.'

'Q. Do you mean a hundred dollars in bills?—A. One bill of \$100.'

'Q. Was handed to you by whom?—A. Mr. Audibert, Mr. Drolet's bookkeeper, saying, 'captain, here is a present for you.' I was going away at the time.'

'Q. Any more?—A. No more.'

'Q. \$175 altogether?—A. Yes.'

He admits that he kept the money. He is asked (page 2662, volume 7):—

'Q. Had you been getting goods from them about that time, or had they been doing work?—A. We had—well, I would not be quite sure, something over \$10,000 worth of work done.'

Q. What had that work been done about or for?—A. That was all in the machinery, sir.'

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'Q. Machinery for your ship?—A. For the ship, yes, sir.'

'Q. So that payments were made to you when Mr. Drolet got his money, as you understand it?—A. That is what I understand, of course.'

If a lenient view is to be taken of any of these cases, I think Captain McGough, considering all the circumstances of the case and the manner in which he gave his testimony, should be entitled to consideration. But this is not my business; I have only to report the facts.

Charles Koenig, for the last four years was master of the steamer *Druid* and Inspector of Lights, in the Quebec district and superintendent of buoys.

It is stated by Audibert that he received sums at various times, the total amounting to \$740.

It is also alleged by Davie that Koenig received from him the sum of \$140.

In his evidence he is asked (page 3021, volume 8):—

'Mr. WATSON.—Q. Now then, evidence has been given that you were paid, that you received from Mr. Drolet or his bookkeeper during the three years, 1904-5, 1905-6, and 1906-7, the sum of \$740—A. No, sir.'

'Q. Did you receive anything?—A. Yes, sir.'

'How much did you receive?—A. Well, then, this, I don't think I can swear to it, I don't remember exactly.'

'Q. About how much, Captain?—A. I received \$65 to \$70 one time and \$40 another time, and another sum I don't know how much.'

'Q. You don't know how much it was?—A. No, I don't remember.'

He was asked in regard to Drolet (page 3023, volume 8):—

'Q. Had they been doing some work for you shortly before that?—A. No, not that I remember, but they are doing quite a lot of work most all the time.'

'Q. And you had to certify to the accounts?—A. After it was certified by engineers. Never before, because I am not an engineer.'

'Q. The engineer certified to it first and then you certified it?—A. Yes.'

Referring to one of the payments of from \$40 to \$45 the question put to him is (page 3024, volume 8):—

'Q. You just took it as a present?—A. I took it as a present for services rendered to Drolet.'

He cannot swear positively to the amount received from Drolet through Audibert. It was alleged by Cote that he had paid Captain Koenig the sum of \$140.

Koenig states in his evidence (page 3026, volume 8):—

'Q. Then from whom else did you receive money?—A. I received money from Mr. Côté.'

'Q. How much?—A. \$140.'

'\$140 from him?—A. Yes sir.'

And he proceeds to detail the manner in which these payments were made. His allegation is that the first \$40 was money lent to him to help him on his way to England.

The second payment was \$100, and he asked:

(Page 3027, volume 8):—

'Q. What took place then?—A. What do you mean by took place?

'Q. What was said?—A. He gave it to me and told me it was as a present.'

'Q. Told you it was as a present?—A. Yes sir.'

'Q. Why would he give you a present?—A. Well, that I suppose because I was an officer of the department.'

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His plea is that there was a custom to give presents to shipmasters and engineers. He puts it in this way.

(Page 3030, volume 8:—

‘Q. Did anybody else make you presents?—A. No.

‘Q. Is there a custom of that kind?—A. Yes, it is a custom, it has always been ‘a custom.

‘Q. A custom to give and to receive presents?—A. Yes sir, to shipmasters ‘and engineers.’

In reference to the \$40, part of the \$140 which he states was given as a loan, his explanation is as follows (page 3031, volume 8):—

‘Hon. Mr. CASSELS.—One moment, Captain, was that \$40 Mr. Côté gave you paid ‘back to him?—A. To whom?

‘Q. To Mr. Côté?—A. No, sir. When I saw he was so generous to give me ‘\$100 I didn’t offer to pay him back the \$40.’

‘Q. Now then, dealing with Mr. Drolet. As I understand it, you claim to have ‘done certain work, helping him?—A. Yes sir.

‘Q. What class of work was it?—A. He has asked me several times.

‘Q. Did you use government machinery or apparatus to do that work?—A. Yes, ‘I did.’

At the time he was in the government employ, he was master of the ship, also lighthouse inspector and inspector of lights in the Quebec district and looking after all the buoys.

He also admits that the work performed by Drolet for the department was certified by him as being correct.

The question is (page 3034, volume 6):—

‘Q. So the work Drolet was performing for the department was certified by you ‘as being correct?—A. After.

‘Q. As being correct?—A. Yes.’

His evidence is summarized by a couple of questions (page 3035, volume 8):—

‘Q. I suppose if you had known as much as you know now, you would have ‘handed it (that is, the money) over to the government?—A. If I knew it was a ‘crime as now, I would have handed it over to the government.

‘Q. I did not say it was a crime. If you had had your moral sense awakened ‘you would have handed it over to the government. That is what it comes to?—A. ‘Yes.’

There is no excuse for the acceptance of these moneys. They were given beyond question for the purpose of influencing him in the performance of his duties. He seems to have taken them without much thought.

I can only report that the receipt of these moneys under the circumstances of the case was absolutely unjustifiable.

Joseph H. Fontaine desired to be heard.

He is accused of having received from Cote the sum of \$250 and from Drolet, through Audibert, the sum of \$790.

In his evidence he states as follows (page 3700, volume 8):—

‘MR. WATSON.—Q. You have some statement, I think, which you would like to ‘make?—A. Well, according to the accusations brought against me in this court, I ‘say they are right.’

‘Hon. Mr. CASSELS.—Q. You say they are what?—A. I say they are right. I ‘received the money. But I must say that I have been travelling all round, you ‘know, and I can bear proof that while chief engineer for a company in Glasgow,

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'Burrel & Son, I run a boat for them between Austria and the States, and during all the time I was chief there I received commissions in the different ports of call, so I don't see I was doing any worse here, that is, I saw no harm. It was offered to me and I took it the same as I took it anywhere else. I didn't know there was any wrong in it.'

'Q. Well, do you think that is right, Mr. Fontaine? As I understand, you were representing the government to see that the government work was properly done?—

'A. Yes, sir.'

He has the idea that he should have been notified when appointed that he was not to receive commissions.

He was asked this question (page 3703. Volume 8):—

'Mr. WATSON.—Q. Now, you have spoken of the knowledge of other superior officers in other countries. Have you any reason to think or to know that the chief agent of the department or any other superior officer here had any knowledge that you were taking these sums?—A. No, sir, I can't say that, I don't know.'

'Q. Any knowledge whatever that they were aware of it?—A. None whatever.'

'Q. You never told anybody?—A. I never told anybody. Of course, that is the general course of things.'

'Q. To keep it quiet?—A. Yes, sir.'

This witness was frank about the receipt of the moneys, but I think he must have had a pretty good idea that he did what was wrong when accepting these sums.

Eli Nolet. It is stated by Audibert that Nolet received the sum of \$70.

He came forward for examination and admitted that he received the sum of \$70 in different amounts from Audibert.

He was engineer on board the Red Island lightship. At the time he was paid by the captain of the lightship, Captain Erwin.

The contract with regard to these lighthouse keepers would appear to be that the captain was paid a certain sum and the crew were paid by the captain.

The lightship had to be repaired at the end of the season at the expense of the government. It was Drolet who made the repairs.

Nolet states that the officers of the Department of Marine consulted him to know what repairs should be made.

He certified to the amount for the repairs from time to time, and as he certified the account to be correct he received from Audibert a portion of the sums which in the total make up the \$70.

There is but little doubt in my mind that these sums were paid for the purpose of influencing his judgment.

Louis Phineas Gagne. He was foreman of the yards at Quebec.

J. J. Murphy alleges that he paid him the sum of \$645.

Audibert alleges that he paid him the sum of \$15.

He admits the receipt of the \$15 from Audibert.

He alleges that this sum of money was paid to him in payment for work which he had done for Drolet. His allegation to his counsel is that this work was overtime work after the hours when he was at work for the department.

He was asked whether he had ever asked for money from Mr. James Murphy, to which he replied 'Never.'

He was asked, when Murphy gave him the money was it to himself? His answer was, that when he gave it the first time he gave him a cheque. He (Gagne) asked 'for

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what have you given me that cheque?' Murphy's answer was 'Listen to me. It is not (pour vous engager avec le gouvernement, avec M. Gregory ou d'autres, c'est un cadeau que je vous fais). I took the money, I put it in my pocket.'

On cross-examination he repeats this answer to Mr. Perron.

He was there to receive the wood and the cement on the part of the government that Murphy sold to the Marine Department, or the greater part of it. He had to report to the agent if the wood was correct, and the same way with regard to the cement.

At page 3200, volume 8, he is asked, how he explains payment of \$50 which was given to him, when he received it what was it for. His answer was, 'Probably, as he said, to put me in a good humour, but it had not that effect.' He denies it had any effect on his conduct.

This money unquestionably was paid for the purpose of smoothing matters over, and should not have been received by Gagne.

Narcisse Dufour. Audibert alleges that Dufour received from him the sum of \$470 for the purposes and in the manner detailed by Audibert.

He was represented by counsel. He appeared and was asked a question, whether he had received \$470. His answer was he was not able to say the exact amount, but upon his conscience he had received money.

In the examination of this witness and also in one or two other places in the evidence, it is stated by counsel that the moneys had been returned to Audibert. I find no such statements in Audibert's evidence.

Dufour was foreman of the forge and of the construction of boilers.

Asked what his idea was of the reason that Drolet, through Audibert gave him the money, his answer was he was unable to say, but being pressed his statement was, it was a present he supposed.

He was asked the following question, which I give in French as put to him:—

'Q. Vous n'avez pas de doute qu'il vous donnait cet argent la pour vous rendre plus souple; il vous payait pour vous assouplir; vous n'avez pas de doute la-dessus n'est-ce pas?—A. Je n'ai pas de doute, si c'était pour me faire assouplir, j'ai pas assoupli.'

This witness received and kept the money.

Paul Bolduc. Audibert alleges that (representing Drolet) he paid him sums at various times, the total amounting to \$1,502.

Bolduc is the chief engineer on board the steamship *Druid*. He was represented by his counsel, Mr. Lemieux. He states that he took charge of the *Druid* on the 27th of April, 1904, that Audibert during the month of June came on board the *Druid*, that he stated to Bolduc it was the custom of the house of Drolet to give to the engineers known to the house a certain sum of money, and he gave Bolduc \$80 as a present.

This sum was alleged by Audibert to be given for services which might be rendered to the house of Drolet in recommending work to be performed by their establishment.

The other sums were given in the same way.

The notion apparently is that it was in the power of the engineers to recommend the house of Drolet to the owners of vessels or to the persons in charge of vessels, other than those owned by the Marine Department requiring repairs.

He does not deny the receipt of the moneys.

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It seems that Bolduc would be in the habit of informing the inspector of steamships that the engines of the *Druid* required repairs. He was also the person to certify to the work of Drolet.

These large sums no doubt were paid, as stated by Audibert, for the purpose of smoothing matters over, and were received by the official in question improperly in my judgment.

Germain Belanger. He calls himself engineer of gas in the Department of Marine. He is alleged to have received from Audibert on behalf of Drolet, the sum of \$41.

He admits the fact of having received the money, although he is not able to state the exact date.

He retained the money.

He went to Drolet's place to examine the work and see how it was going on.

The amount is not large, but was improperly received.

George D. O'Farrell. Is alleged to have received from Audibert or Drolet the sum of \$272. Cote also states that he gave Captain O'Farrell \$100.

O'Farrell is Inspector of Lighthouses.

He contradicts Audibert and denies emphatically the receipt of any moneys from Audibert as alleged by him.

He gave evidence of a misunderstanding between himself and Audibert with the object evidently of showing that Audibert had a grudge against him.

Had the matter rested merely as between Audibert and O'Farrell, I would have found the case as against O'Farrell not proved.

As it is, however, he is charged by Cote with having received the sum of \$100. Cote's statements have been dealt with in a previous part of the report.

O'Farrell certified to the majority of the accounts of Cote.

He swears positively that he paid O'Farrell \$100 at different times. He states that these payments were made in order that he might be on good terms with O'Farrell, and so forth.

The question is put to Cote in the following way:—

‘Une petit peu de graisse pour faire marcher la machine.’

His answer is:—

‘Oui, monsieur, ca ne fait pas de dommage.’

Captain O'Farrell in his evidence, while denying the receipt from Audibert, does not deny the receipt of these moneys from Cote.

I put the question to him as follows (page 3354, volume 8):—

‘Captain O'Farrell, did you get any money from Mr. Cote?—A. I can't admit that, your lordship.

‘Q. I do not want you to admit anything. I am asking you the question?—A. I cannot admit that.’

‘Q. Can you deny it?—A. I won't deny it.’

It is plain that Captain O'Farrell received this money from Cote.

The purpose for which it was given and the manner in which it was received clearly indicate that it must have been known to Captain O'Farrell that it was for the purpose of influencing him in the passing of the accounts.

Audibert's evidence is given from entries in the books. In no other case has the truth of his evidence been challenged; on the contrary in all the cases mentioned

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and in one or two others that I have to mention later on, the correctness of his statement as to payments made is admitted.

I am bound, I think, to accept Audibert's evidence as against the contradiction of O'Farrell, more particularly having regard, as I stated before, to the fact that O'Farrell admits having received moneys, which he should not have received, from Cote.

Albert Beauchemin. It is stated by Audibert that Beauchemin received the sum of \$1,075 in various payments.

Davie in Quebec alleges that he paid him the sum of \$200.

Beauchemin gave evidence on his own behalf. He lives at Sorel.

Audibert had stated that in August of 1907 when Beauchemin was at Murray Bay with his wife he had written to Audibert asking him to lend him \$50, and he stated that this had been remitted to him. What he states is that this sum of \$50 was returned by him to Audibert.

He admits receiving moneys from Audibert. He is not sure of the amount, but apparently states that the total amount was the sum of \$400.

His explanation in regard to this matter is a peculiar one. His statement is that Mr. Roy, who worked for the department, asked him to examine a steam winch which was on the wharf of Murphy in Quebec near the wharf of the Allans. According to his statement it seems to have been taken for granted that this steam winch was the property of the government, and that it was taken to Drolet. Drolet was to examine the winch to see what repairs were necessary. He states that he supposed Drolet thought it was for the government. The value of the steam winch, according to this witness, to Drolet would be \$1,200, but to anybody not wanting a steam winch it would be worth nothing.

It appears that when the account was sent in to the government, the government declined to pay.

Beauchemin, according to his statement, went to Drolet and wanted to know what he had done with his winch. Drolet said, 'go and see Audibert. Come back on Saturday and it will be arranged.' He returned and saw Audibert on Saturday, and Audibert gave him the sum of \$400.

The steam winch did not belong to Beauchemin.

According to the evidence produced before me, if in point of fact he was selling this steam winch to Drolet for the sum of \$400 he was selling the property of somebody else and placing in his own pocket the sum of \$400.

He admits receiving other sums of money from Audibert. The alleged reason is that he had recommended parties to the shops of Drolet for repairs.

I think Audibert's statement is correct.

Beauchemin was there for the purpose of passing upon the work done by Drolet for the department. He had considerable to do in sending work to be done upon the steamships of the government.

He is asked whether he could tell how much during the year 1905 he had received from Audibert. His answer was that he could not recollect. He thinks, although he is not able to recollect, he received nothing in 1905. On being asked the question, 'Are you certain that you received nothing from Mr. Audibert in 1905?' His answer is, 'I am unable to swear, but I do not recollect.' And he is unable to state.

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He thinks that the first sum of money he received from Audibert was in 1905. Being asked if he could recollect the amount, he states he thinks it was \$175, but he is not able to pledge his oath to it. He is also unable to state which was the first amount he received.

It seems that Drolet was repairing certain lightships. There was about \$2,500 worth of work in the repairs for the house of Drolet in connection with these lightships.

Beauchemin was charged to oversee these repairs. During this time he received certain of the moneys.

He also was there to certify to the accounts. His statement is that on one occasion from \$175 to \$200 was given to him, with the following statement, 'Tu es bon. Tu amènes de la pratique. Tu es bon pour la boutique. Tu envoies des clients en dehors du département de la Marine.'

He took the moneys and put them in his pocket.

He admits receiving sums amounting to \$800. Part of this money he seeks to account for by the receipt from Drolet of the \$400, the price of the steam winch which did not belong to him.

I think the charge made against Beauchemin is proven.

G. Thompson-Schmidt. He is charged with having received from Audibert, acting for Drolet, the sum of \$1,773 in different amounts.

This gentleman appeared in Quebec, St. John and Halifax.

His jurisdiction is apparently a large one, and his perquisites correspondingly large.

His statement is that he is the inspector of everything that belongs to the Marine and Fisheries Department. Shortly after his appointment McConkey was appointed to assist in the inspection of hulls, and, as Schmidt states, though never officially notified, he dropped out of that particular work, namely, the inspection of hulls.

His home is in Rockingham, Halifax County, Nova Scotia.

He is asked in regard to the receipt of these moneys from Drolet, namely, the sum of \$1,773.

In his evidence in Quebec he admitted receiving moneys, but stated that as he came to Quebec unexpectedly he could not be certain about the amount.

The question put to him was (page 2731, volume 7):—

'Mr. WATSON.—Q. Perhaps it would not amount to more than \$500 a year?—A. 'Oh no, it would not amount, I do not think, to any more than \$1,000 that I have 'received from Mr. Drolet's clerk as a bonus.'

I point out later on that when in Halifax he admits the correctness of Audibert's statement.

He states that he had to certify to the correctness of the accounts of Drolet or a majority of them.

He is asked (page 2732, volume 7):—

'Q. I asked you whether you had certified to these accounts of Mr. Drolet?—A. 'Yes, sir.'

'Q. Certified to the department that they were correct?—A. That they were correct, yes, sir.'

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His explanation of the acceptance of this money is given in this shape (page 2732, volume 7):—

‘Q. What were you paid for?—A. Well, it is a practice of that firm (referring to Drolet) to give a bonus to all superintending engineers, no matter whether they are Chinese, Hindus, Canadians, Englishmen, or who they may be, whenever you come there with work there is a certain amount of their profits used for that purpose. I presume it is like a microbe in the air, it is somewhere in the account, but you cannot find it yourself.’

He is asked again (page 2733, volume 7):—

‘Q. Then did you perform services for Mr. Drolet for which these payments were made?—A. No sir.’

He is asked (page 2737, volume 7):—

‘Q. Did you report it to the minister or deputy minister, or Mr. Gregory or anyone else (the receipt of this money)?—A. No sir.

‘Q. You did not?—A. That was a business, or those were transactions which as a rule both the giver and the receiver do not let the left hand know what the right hand does.’

While dealing with Mr. C. Thompson-Schmidt it may be as well to refer to what took place in St. John and Halifax.

Charles McDonald is the managing director of the St. John Iron Works. This company had very considerable dealings with the government in St. John.

He states that Mr. Schmidt would recommend work to be done at their works. He alleges that he lent him a sum of money.

Apparently on the 12th November, 1907, McDonald received a telegram from Schmidt reading as follows:—

‘If possible wire me \$100 Windsor Hotel, Montreal. With you Friday and refund. Very urgent.’

He answered it by remitting the \$100.

Previous to this he had loaned Schmidt the sum of \$50, and neither the \$100 nor the \$50 have ever been repaid. They were placed into running expenses and apparently written off.

Just previous to the taking of the evidence in St. John, Schmidt wrote the following letter to McDonald. It is written from Rockingham Station, Halifax County, and bears date the 17th November, 1908:—

‘My Dear McDonald:—

‘As you will have seen from the papers, I have come through a very hot fire in Quebec, but I trust you know me well enough to believe me when I state that the major portion is false.

‘I am herewith enclosing a 90 day note for the \$150, which I trust will enable you to state that there is nothing between us.’

‘I am so upset and confused that it is hard to formulate a letter.

‘Trusting to hear from you at the above address at an early date,

Yours in deep distress,

‘C. T. SCHMIDT.’

McDonald apparently was not willing to adopt the course suggested in the letter. Schmidt appeared at the sittings in Halifax and attempted to give an explanation of this letter and of the receipt of the \$150 from McDonald.

He states (page 4783, volume 10):—

‘Mr. WATSON.—During the period when you received the money there, you were getting work done at his shop and factory, you were superintending work?—A. Well.

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'Q. We have had that in evidence.—A. Of course there has been work done, but 'I think it is two years since I saw McDonald, and I am sorry now I did not keep 'a note I had from him a year ago, saying 'Don't hurry and don't worry.'

'Q. At all events you were getting work done more or less previous to that at 'the Iron Works?—A. Yes, sir.

'Q. And it was in that way, through having work done for the department that 'you came into communication with him?—A. Yes, sir.

'Q. And the work that was done by him, or at his works, had to be passed or 'certified by you?—A. In some cases.'

He is asked this (page 4785), volume 10):—

'Q. And you will recollect that the evidence given by the bookkeeper of Mr. 'Drolet was to the effect—that is Mr. Audibert—A. Yes.

'Q. That you had been paid by him or his firm the sum of \$1,770. You recollect 'that evidence was given?—A. Somewhere about that.

'Q. My recollection is you said then you thought the amount was not quite as 'much as \$1,770?—A. No, sir.'

In his evidence he also states that considerable work was done at Charlottetown by the firm of Bruce, Stewart & Co. He admits borrowing from them \$100.

It is needless to say this \$100 has not been repaid.

He was also dealing with this firm in Charlottetown in regard to repairs to vessels the work upon which he was supervising.

He also admits receiving from Mr. Ferguson of Pictou, a personal loan of \$100.

He is asked this question (page 4789, volume 10):—

'Q. They are all personal matters?—A. They are indeed.

'Q. The same way with Drolet's \$1,770?—A. No, sir, a different matter altogether, sir.

'Q. I see. That was directly in connection with business, was it?—A. It was 'given to me, he told me it was paid out of a fund.

'Q. I see, out of a charity fund?—A. I don't know. He told me if I did not get 'it somebody else would get it.

'Q. I suppose if you did not take it he would have to keep the money. Then 'you got \$100 from Mr. Ferguson, was it?—A. Yes.

'Q. When did you get the money from him?—A. Oh, it must be about two years 'ago.'

He admits having to certify their accounts.

There is but one explanation of Mr. Schmidt's conduct. He received the bribe, and he knew it to be a bribe. He was there in a position of trust for the purpose of superintending repairs to be performed on government vessels.

The money was paid to him as stated, and accepted by him in the manner stated, and I fail to find any justification whatever for his conduct.

Thomas McConkey came to Ottawa and asked permission to explain a statement made by Mr. Davie in his evidence in Quebec.

Davie alleged that he paid McConkey the sum of \$200.

McConkey admits receiving the money. He thinks it was in December of 1907.

He admits that work was being done for the government by Davie and he was supervising for the department the hull work. He was also certifying to the correctness of the work.

He is asked (page 6400, volume 14):—

'Q. How was the money paid to you, in cash?—A. It was enclosed in an 'envelope.'

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He is sure that the amount was the sum of \$200.

McConkey's statement is that this money was given to him for work done entirely outside of the department on the survey of ships. He states that the services were performed principally in Davie's drawing office in Lévis, and that the work was done at night time.

He states that for consultation and advice in regard to one particular vessel and others he was paid this sum of \$200.

He is asked the question (page 6404, volume 14):—

Q. . . . Then I want to know whether, at the time you got the money, you 'made any report of it?—A. Oh, not at all. I had no idea I was doing anything 'wrong.'

The following questions were put by myself (page 6406, volume 14):—

'Q. This work you did for Davie was after hour work?—A. Yes, on one occasion George Davie came and took me to the work in a boat.'

'Q. It was after hours?—A. Yes, and on Sunday.'

'Q. What are the usual hours, have you any regular hours?—A. The usual hours 'for me since I have been in the department is Sundays and every other day till 10 'o'clock.'

Q. What are the hours?—A. The office hours 9 o'clock in the morning till 5 'o'clock in the afternoon.'

'Q. This work was done after hours?—A. Yes.'

I think McConkey desired to tell the truth.

He is only charged with this one offence, and I think, while it is near the border line, the charge against him should be held not proved.

Joseph Ferguson. It is alleged by Audibert that Ferguson received the sum of \$30. Ferguson is the chief engineer of the steamship *Minto*.

He appeared before me in Halifax and desired to give evidence.

He was notified by the Acting Deputy Minister of Marine that his name had been mentioned before the commissioner at Quebec as having received \$30 from Drolet.

He admits that he received the money in July of 1907, that he received it from Audibert, and that the amount was \$30.

He states (page 4590, volume 10):—

'Mr. WATSON.—Q. How much did he pay you?—A. I will just tell you exactly. 'At that time he left an envelope with \$20 on my desk.'

'Q. At the one time?—A. 1907.'

'Q. 1907?—A. Yes, sir.'

'Q. He put it in an envelope at that time, \$20; is that right?—A. That is right.'

* * * * *

'Q. You saw him leave it there?—A. Sure.

'Q. At the time he left it there what did he say?—A. He said it was a custom 'of the firm to do that, to give.'

He took the money, put it in his pocket.

He admits that in 1906 towards the end of the year when in Charlottetown he received a post office order from Drolet's firm for \$20, 'and that is all the transactions that ever passed between us.'

He is asked (page 4592, volume 10):—

'Q. It was not a matter to be spoken about I suppose?—A. Well, I don't know 'anybody ever said anything to me about refusing gratuities. I know where I come 'from it is a regular custom in the shipping trade.'

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'Q. Where you come from?—A. The other side where I sailed for years.'

He admits that he was getting engineering work done, repairs, from time to time; also that he had to sign the accounts.

He states (page 4593, volume 10):—

'Q. At all events, you understood, you knew it was in connection with work you were getting done there?—A. Certainly.'

'Q. In connection with that work you were getting done there for the ship that you got this money?—A. Certainly.'

He is asked (page 4595, volume 10):—

'Q. Then I suppose you find that is the custom to give those little tips or whatever they may be called?—A. I always found it the custom in my see-going career.'

Ferguson in his evidence also admits receiving money from the firm of Bruce, Stewart & Co., Charlottetown.

He is asked (page 4598, volume 10):—

'Q. . . . How much was paid to you there?—A. That is a question I cannot answer. Am I required to answer?

'Q. Yes, I think you had better answer.'

'Hon. Mr. CASSELS.—Q. Why cannot you answer?—A. I couldn't answer the question.'

'Q. Why?—A. Not without data of some kind.'

'Mr. WATSON.—Q. Not without some particulars?—A. Yes, sir.'

'Q. That is, you do not know how much it amounts to?—A. No.'

'Q. It amounts to a considerable sum?—A. I don't think very much.'

'Q. \$200?—A. No, sir.'

'Q. Say half that, \$100?—A. It might be over the whole time.'

(Page 4599, volume 10.):—

'Q. And it is in connection with work you were getting done by them that you got the money?—A. That is the only way I would get it.'

'Q. That is the only way you would get it, I see. Was it all paid to you at one time or at different times?—A. Oh, different times.'

'Q. One time, \$50?—A. Well, that would be the outside.'

'Q. And then another time \$40?—A. Well, I wouldn't be positive.'

'Q. Then another time \$25?—A. It might be.'

'Q. And then another time \$30 or \$35?—A. No, I don't think.'

'Q. You don't think?—A. I don't think so many times.'

This witness also admits receiving money from the Pictou Foundry Company composed of Hanning and Ferguson.

Work was being done to the hull of the vessel.

He is asked (page 4501, volume 10):—

'Q. . . . How much did you get there, do you recollect about how much?—
'A. \$25.'

The money was given to him by Mr. Hanning.

He is asked. (Page 4602, volume 10):—

'Q. Mr. Hanning gave it to you. What did he say when he gave it to you?—
'A. Well, I don't think he said anything. I think he slipped it in my pocket.'

This was about twelve months ago.

It seems to me apparent that these moneys paid to most of the various witnesses were paid and received as bribes.

They must have known that they were paid to them in consequence of their being

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in a position of trust and in order to smooth over matters in the way of passing the accounts of the donors.

All the officials who were charged by Audibert or others with the receipt of moneys were notified that they had the opportunity, if they so desired, of appearing and explaining the transactions.

I have dealt with each individual named as having been charged by Davie, Murphy, Drolet or others, who appeared before me.

No others appeared to explain the charges made against them.

I think it is fair to assume that no explanation could be given, and I have to report the allegations of the payment and receipt of moneys stated by Messrs. Murphy, Davie and Drolet and Audibert to be proven as against these individuals who have not appeared.

ST. JOHN AGENCY.

Mr. F. J. Harding is chief agent, his appointment dating from March, 1895, at a salary of \$1,800 per annum, erroneously stated at the opening of the proceedings to be \$2,000.

The expenditure at this agency was, 1904-5, \$275,782; exclusive of expenditure made directly from the department in Ottawa; 1905-6, \$255,590; 1906-7, \$222,498.

At the hearing during part of the time *Mr. Harding* was represented by counsel.

Mr. Harding was not called as a witness. He was manifestly in such a state of health as to justify his counsel in declining to ask him to testify.

In considering the case of *Mr. Harding*, I would like to take as lenient a view as possible.

He is evidently a man respected and with warm personal friends.

He was for years in very straitened financial circumstances. This no doubt to a considerable extent was the cause of the dealings I have to comment upon.

His financial transactions with those having contracts or other dealings with the department were numerous.

At the same time, while the transactions were numerous, in the main they consisted of accommodation afforded by his friends, money advanced to him, his cheque accepted and cashed at such times as *Mr. Harding's* friends thought fit, sometimes within a day or two, in other cases at longer periods.

At the time of the taking of the evidence he was no doubt indebted to a considerable amount to his contractor friends.

I do not propose to refer in detail to much of the evidence.

In the evidence there is not any specific proof of over-payments such as described in the evidence adduced at Quebec and subsequently at Halifax.

There is evidence of money advanced to one official, *C. Thompson-Schmidt*. I have dealt with this in the previous part of the report.

Destruction of papers, difficulty of procuring production of books, cheques, &c., faced us in St. John as elsewhere. Cheques payable to bearer to make it difficult to trace the transactions covered by such cheques were also in evidence.

While a lenient judgment may be given, it is impossible in my opinion to condone *Mr. Harding's* conduct.

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No agent can faithfully perform the duties entrusted to him of letting contracts, supervising works and certifying accounts, &c., when he is under financial obligations to those dealing with him, as representing the department, in the manner described in the evidence.

Charles McDonald is the managing director of the St. John Iron Works. This company did considerable work for the department in building buoys, boats, repairing steamers, &c.

Page 3755, volume 9):—

'Q. You know Mr. Harding in a business way?—A. Yes.

'Q. Your relations with him have been very frequently in connection with departmental matters, all these orders come through him?—A. Yes.

'That is to the full extent of your business it comes through Mr. Harding, and you have known him in that business way?—A. Yes.

'Q. Not otherwise?—A. Personally?

'Q. Yes?—A. Oh, yes.

'Q. Oh yes, you have known him in that way, but your transactions have been business transactions with him. You produce this paper, May 19th, 1908, Pay to cash or bearer \$375. That is a cheque?—A. That is a cheque.

'(Marked Exhibit 240.)

'Q. Have you held that?—A. Since May 19th.

'Q. That is six months, is it not?—A. Yes.

'Q. Did you ever present it?—A. No.

'Q. Quite sure about that \$375? Did you give him the money for this cheque?—A. Yes.

'Q. The company's money?—A. Yes.

(Page 3762, volume 9):—

'Hon. Mr. CASSELS.—Mr. McDonald, that transaction took place on the 19th of May?—A. Yes sir.

'Q. It is a cheque payable on the bank for cash?—A. Yes.

'Q. And according to your statement he was to refund it. Now, more than six months have gone by and you have never asked for repayment. You are dealing with the head official of the Marine Department in St. John. Mr. Watson wants to know whether it is not a pretty reasonable inference that what it is done for is just to make things pleasant with the department. Is not that the whole story?—A. 'I fancy it might be.'

(Page 3772, volume 9):—

'Mr. WATSON.—Then I suppose we may take it, as I understand, for granted that if Mr. Harding had not been the agent of the department here this long continued course would not have been pursued by you?—A. Oh, I think possibly so.

'Q. Yes, possibly so.'

'Hon. Mr. CASSELS.—Is there any doubt about it, Mr. McDonald?—A. Well, your honour, Mr. Harding was a man well known in the community, and I have known him very well, and I may have done something for him where I would not have done much for others.

'Q. Is not the truth simply this, that you were dealing with the department, getting large contracts, Mr. Harding was in charge, and you thought it would just smooth matters over by letting him have the money?—A. Mr. Harding hadn't much to do with my getting orders.

'Q. He had something to do with it?—A. I didn't take much stock in his prevention or attention to the orders.

'Mr. WATSON.—But listen. Mr. McDonald, your answer to me was the correct answer?—A. Yes.

'Q. Quite so. So that we need not pursue it beyond that point.

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‘Hon. Mr. CASSELS.—No, it is too plain.

‘Mr. WATSON.—Yes, perfectly plain. There is no use beating about the bush, Mr. McDonald?—A. No.’

A considerable portion of McDonald’s evidence is taken up with explanations of further loans and accommodation to Mr. Harding.

John A. Moore. His business is a lumber business and hiring tug boats.

(Page 3801, volume 9):—

A note is produced by Mr. Moore.

‘Q. You produce here a note dated St. John, November 4th, 1908, ‘four months after date I promise to pay to the order of myself at Marine and Fisheries Office the sum of \$1,800.’ That is signed by Mr. Harding?—A. Yes sir.

‘(Note marked Exhibit 245.)’

His explanation is (page 3808, volume 9):—

‘Q. And that accounts for this note for \$1,800 in the same way—business is business?—A. That is a straight loan.

‘Q. Well, it is a business transaction?—A. Certainly.

‘Q. With the agent of the Marine Department?—A. It is a business with him personally.

‘Q. You knew at the time he was agent of the department?—A. Certainly.

‘Q. And is this entered in your books?—A. No, sir.

‘Q. Not entered in your books?—A. No, sir.

‘Q. What?—A. No, sir.

Q. Not at all?—A. No entry.’

Further on he is asked the following question (page 3810, volume 9):—

‘Q. You thought the company was doing an ordinary regular line of business when it was lending money to the agent of the department, through whom orders were coming from the department to the company; was that your idea?—A. I looked on it as a matter of accommodation to the agent.’

Referring to accommodation loans to Mr. Harding (page 3825, volume 9):—

‘Q. Then where is the expense account?—A. Is it possible you could not keep any record of transactions of this kind?—A. I have kept no record of my transactions with Mr. Harding.

‘Q. Oh, you have kept no record of your transactions with Mr. Harding?—A. Because they were short loans.

‘Q. Because they were short loans. They run along sometimes for six months?—A. Yes, sir.’

(Page 3827, Volume 9.)—

‘Q. And you could not estimate the number of transactions in 1906?—A. No, sir, I could not.

‘Q. And you could not estimate the number in 1906?—A. I could not, no, sir.

‘Q. And the same in 1907, and the same in 1908?—A. Well, I think 1908, I could, that is getting a little nearer.

‘Q. Nearer in 1908?—A. Yes.

‘Q. But that is the way it ran between you and him?—A. Yes.

‘Q. And nobody, not even a bookkeeper, could trace up the proceedings with Mr. Harding?—A. That is right.’

William J. Vroom gives evidence of similar transactions.

John A. McAvity, one of the firm of McAvity Brothers, had dealings with Mr. Harding.

This firm had transactions with the Department of Marine and Fisheries during the three years amounting to about \$2,000.

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He gives evidence of accommodation loans and so forth. He is asked the question (page 4031, volume 9) in reference to some of these loans:—

'Q. And you knew that was something out of the ordinary course of the company's business?—A. Yes, sir.

He had signed a cheque for \$400 for Mr. Harding's benefit. Mr. Harding's name was not placed in the cheque. He got no receipt from Mr. Harding.

At page 4032, volume 9, he is asked the following questions:—

'Hon. Mr. CASSELS.—Did you get any receipt from him?—A. He replaced it with another cheque.

'Mr. WATSON.—Now, then, the fact is, as I understand it, and I think you will agree, that the word Cash was in so as to conceal his name. Is that not the plain truth?—A. No——

'Q. Is that not the plain truth?—A. We put——

'Hon. Mr. CASSELS.—Witness, you can answer that question. Just answer yes or no.

'Mr. WATSON.—Is that not the plain truth?—A. Yes.'

(Page 4033, Volume 9.)

'Q. . . . Was there any other reason for concealing his name than that?—You were deliberately concealing his name?—A. Yes.'

Then he is asked these further questions (page 4034, volume 9):—

'Hon. Mr. CASSELS.—Q. You said you purposely left out his name to conceal it—A. Yes, sir.'

(Page 4035, volume 9):—

'Mr. WATSON.—Q. And because it might injure him as a personal friend?—A. I suppose so, yes.

'Q. And in what way injure him, with the department if known; that is right?—A. I admit it is a wrong thing to do.

'Q. I did not ask you that. This personal friend you did not want to injure, you were afraid you might injure him with the department, if that was known, was not that it?—A. Right.'

I do not propose to give further citations of the evidence of loans.

The evidence of Mr. George McAvity shows that at the date of the trial Mr. Harding was indebted to him in the sum of \$1,300.

A book containing the personal account of Mr. George McAvity, including one or two transactions with Mr. Harding, also cheques and memoranda, were unfortunately destroyed one or two days after the 26th October, 1908. It is unfortunate that reliable evidence should be consigned to the furnace.

Malcom Morris.—Charles McDonald is asked as to whether he gave McConkey moneys. He denied it in the most emphatic manner.

(Page 3741, volume 9):—

'Quite emphatic, I see. And what about Mr. Morris?—A. Mr. Morris?

'Q. Yes, engineer?—A. I have given him a little present sometimes.

'Hon. Mr. CASSELS.—(Referring to the payments to Morris.) Were they frequent payments, Mr. McDonald, or just all in one?—A. Two or three times, I think two—well, I don't know whether I could explain or not how I came to give him anything.'

He goes on to explain as follows (page 3743, volume 9):—

'A. Well, Mr. Morris was engineer of the *Curlew*, and he was stationed frequently at Eastport, on the American border, where there are quite a number of steamers that get repaired. There are no machine shops there and they would frequently go to Portland, Maine, or some of those other places and he could tell

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'them what a good concern we were to repair steamers and on two or three occasions 'they would send steamers here, we would repair them, we would get the job, and I 'would give him—a commission on the job. A commission on the job, but it had 'nothing to do with his own, he being a government engineer."

He states that the transactions with Morris were probably in the neighbourhood of four or five, and that the total sums paid Morris probably amounted to \$100.

It appears that a considerable amount of repairs was being done. (Page 3746, volume 9.)

'Q. You cannot say how much. I see there was an item of account for repairs 'on the 10th of February, 1905. You cannot tell how much was paid then. Septem- 'ber 8, 1904. Repairs to *Curlew*, \$762.30. Can you say how much was paid to him 'at that time?—A. I cannot say.

'Q. Then, again, July 18th, 1905, repairs to *Curlew*, \$1,251. How much was paid 'to him out of that, can you say?—A. I can't say.'

He goes on to show that no record was kept. (Page 3747, volume 9):—

'Q. And no record of it. When did he last ask you for money?—A. He never 'asked me for money in his life.

'Q. It was volunteered by you, eh?—A. Yes.

'Q. Volunteered by you, I see. It was your own idea, personally, Mr. McDonald? '—A. I think it was.

'Q. Yes, your own idea personally to give this official of the department the 'sums of money from time to time as you have said. And Mr. Morris was from time 'to time recommending expenditure as an engineer upon that ship, the *Curlew*, 'you knew that?—A. Yes.

'Q. Yes, you knew that. And in the same way it was Mr. Morris' duty to super- 'vise the amount of material and labour and so on put in and done upon the ship. I 'suppose he would be about during the time repairs were made?—A. He would be 'about.'

Morris presented himself in Halifax and desired to be heard.

He gave his explanation of the transaction as follows (page 4282, volume 9):—

'Q. Now, then, according to Mr. McDonald's evidence, he gave you money from 'time to time?—A. Yes, sir, he did.

'Q. That is right?—A. Yes, sir, that is right.

'Q. How many years ago was the first time?—A. About five years ago.

'Q. Is that the first time?—A. Yes, sir.

'Q. How much was it he gave you at that time?—A. He gave me \$30 at one time.

'Q. \$30 at that time, the first time?—A. Yes, sir.

'Q. About five years ago?—A. Yes, sir.

'Q. And that has never been repaid?—A. No, sir.

'Q. That was a gift to you?—A. He came to me one time, and he says, "Here 'is a present." Says I, "I don't wish to have it, if it has got anything to do with 'the department I don't want a cent from you." He says, "You have been recom- 'mending a lot of work from different places." He says, "Here is a present." I 'says, "I don't wish a present." He says, "Take this." I didn't want to take any- 'thing from him at all; and different times——'

Morris kept the money.

It is easy to state that he was recommending vessels to the iron works in St. John. The fact is, however, that Morris was there acting for the government as between them and McDonald.

When the presents were given and accepted work was going on on the government vessels.

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The purpose for which the money was given is perfectly plain.

Morris had no right to accept it.

John Kelly. Patrick J. Mooney, a general contractor, states that he lent money to Kelly. At page 3954, volume 9, he is asked:—

‘Q. Did you ever give him (Kelly) any ?—A. He borrowed \$40 from me once.’

‘I see. It is the same old borrow ?—A. No. He borrowed \$40 from me and he sent me a moose’s head.’

‘Q. When did he get the \$40 from you ?—A. I should think about the 22nd of June.’

‘Q. Of this year ?—A. 1906.’

He states as follows. (Page 3957, volume 9) :—

‘Q. Did you ever say anything about the \$40 ?—A. No.’

‘Q. He has never spoken to you about it since ?—A. Oh, yes.’

‘Q. When ?—A. I guess six or eight months ago. He says, ‘It is near time I was paying you that \$40.’

(Page 3958, volume 9) :—

‘Hon. Mr. CASSELS.—Q. What did you say to him when he said it was about time he paid you back the \$40 ?—A. I said, there is lots of time.’

‘Q. Did you not say it was wiped out for the moose head ?—A. No.’

‘Q. It is only now you are wiping it out, is that it ?—A. That never came into my head.’

He is asked further in regard to Kelly whether Kelly received anything else besides money. His answer is (page 3959, volume 9) :—

‘A. Well, nothing.’

‘Q. What ?—A. We have done some repairs at his house.’

‘Q. Yes, I know.—A. And charged it up against him on the books.’

‘Q. And not paid ?—A. And not paid.’

‘And that is some years ago, too?—A. Oh it might have stood two or three years.’

‘Q. Three or four or five years, I see. Did that amount to \$150 ?—A. No, sir, it would not.’

‘Q. Well, how much would you say?—A. Well, the whole thing, the \$40 and all would amount to \$135.’

He goes on to explain that Kelly’s son was working with them. He says ‘I didn’t know which to charge.’

He never asked for payment, and payment apparently was never offered.

John Kelly appeared before me at St. John.

He states his position to be that of inspector of lights.

He is asked (page 4231, volume 9) :—

‘Q. So that you are in a responsible position connected directly with the chief office for administration of departmental affairs throughout this province ?—A. Yes. You might say—if I might be allowed, your honour—I might say it is through me that the whole estimates are made for the carrying on of the lighthouse business and all duties pertaining to such, and the supplies and requisitions are all made by me of what is required at the various stations all over this division.’

He states. (Page 4258, volume 9) :—

‘Q. . . . Then you know Mr. Mooney?—A. I do.’

‘Q. He did work upon your house?—A. Yes, sir, he put in a ceiling for me. . . . It was done about two years ago.’

Page 4258, volume 9) :—

‘Q. And you have never paid for that yet ?—A. No, sir.’

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He states the work was done at a cost of about \$95 or so.

‘Q. And you got \$40 from him once?—A. I did.’

He proceeds then to state that he sent Mooney a moose head which would be in value from \$60 to \$100.

He is asked. (Page 4259, volume 9):—

‘Q. Was that intended in payment of the \$40, and the house repairs?—A. No, ‘sir.’

‘Q. To be applied on account?—A. No, sir.’

‘Q. I see. That was just a gift?—A. It was friendship.’

‘Q. How much did the moose head cost you, how much did you pay for it?—A. ‘I suppose altogether, it cost me \$30.’

He states that he had offered to return \$40 to Mooney, that at the time he was in family trouble, and when he offered the money Mooney’s answer was:—

‘Don’t be in a hurry, you have lots of trouble.’ ‘I will give you that,’ I said. ‘No,’ he said, ‘I don’t want it, don’t be in a hurry.’ I did not bother about the ‘money, good, bad or indifferent,’ and so forth.’

I think the circumstances connected with Kelly are different from the circumstances in most of the other cases, and I would absolve him from any intention of accepting money or work improperly.

He and Mooney seemed to be on very intimate terms. It does not appear that work could be thrown by him into Mooney’s way.

I do not think the facts would justify a finding against Kelly.

HALIFAX AGENCY.

Mr. Jonathan E. Parsons was appointed agent in August, 1894, with a salary of \$1,600 per annum.

Mr. A. DeB. Tremaine was appointed accountant in August, 1888, with a salary of \$1,200 per annum.

The expenditure at the agency amounted during the fiscal years 1904-5, to \$659,326; 1905-6, \$705,000; 1906-7, \$668,000.

For the last two or three years *Mr. Parsons* has been in ill health.

The evidence adduced in Halifax was voluminous.

It appears from the evidence, a portion of which I will quote, that patronage in Halifax extended beyond the mere naming of the merchants and others who should comprise the patronage list. It extended to the nomination by Members of Parliament representing the constituency of individuals or an individual to whom orders were to be given.

Excessive prices were paid in many instances and no proper supervision or check on the outlay exercised.

In one instance after the members, *Messrs. Roche and Carney*, had ceased to be members and were candidates at the approaching election, eighty additional men were employed to work in the dockyards at Halifax. This was done at the request of the candidates, the former members and the greater number of the men employed were nominees of *Messrs. Roche and Carney*.

The present acting deputy minister *Mr. Desbarats* was responsible for this.

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It is easy to state that these extra men were required in addition to the seventy men already employed to do the necessary work in the dockyards, but I think Mr. Tremaine's view of why the increase took place is the only view that can be taken of the transaction.

Mr. Tremaine stated that in September, 1908, there were seventy-seven employees, in October, 1908, one hundred and seventy-six employees, in November, 1908, one hundred and fifty-eight employees.

The following occurs in Mr. Tremaine's evidence with reference to this (page 4846, volume 10):—

'Mr. WATSON.—Have you sufficient knowledge of the business of this agency to state whether or not it was necessary as a matter of business in the department that the 100 additional men should be put on for October?—A. No, sir, in my opinion it was not necessary.'

Page 4847, volume 10):—

'Q. Have you any knowledge leading directly or indirectly to a conclusion in your mind as to why they were put on?—A. I suppose I have, yes.

'Q. What is it?—A. Well, it has been customary for a great many years, ever since I have been in the service to employ more men about election time than at other times.'

Mr. Parsons in his evidence gave the exact number of employees. He states that the number of employees in October 1907, was 70, in October, 1906, 145.

He states (page 5053, volume 11):—

'A. It took place with the suggestion of Mr. Desbarats, the deputy minister.

'Q. Solely from Mr. Desbarats?—A. Yes, sir.

* * * * *

'Q. You cannot say whether it was or not?—A. Yes. Mr. Roche, then member of parliament, asked me if there would be any chance for some extra men, and I told him that I thought there would be, but that Mr. Desbarats was coming and I would confer with him.

'Q. I see. What had Mr. Roche to do with the management of the dockyard of the Marine and Fisheries Department?—A. He was member of parliament for Halifax.

'Q. Yes, member of parliament for Halifax.—A. And had the patronage.

'Q. Had the patronage?—A. Yes, sir.

'Q. But I ask you, if you please, what had he to do with the management of the dockyard?—A. He had the patronage. If men were to be put on he could name those who were to go on.

'Q. He could?—A. Yes, sir.

'Q. You were taking on employees, additional men for ordinary labour, you mean to say you would apply to him to designate the men?—A. Yes.'

* * * * *

'Q. The additional 80 men were chosen, nominated by the member for Halifax?—A. Well—

'Q. Is that right?—A. Mr. Roche and Mr. Carney—

'Q. By the members then for Halifax?—A. Both recommended, but I cannot say they recommended all.'

(Page 5056, volume 11):—

'Q. If there had been no intervention would you have employed all those extra men at that time?—A. Not without a conference with Mr. Desbarats.

Later on (page 5144, volume 11):—

'Hon. Mr. CASSELS.—One question. Do you place the responsibility on Mr.

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'Desbarats for the employment of those extra men in October, 1908?—A. Oh, I would not have done it if Mr Desbarats had not said so.

'Q. Mr. Desbarats is your superior?—A. Yes, he is deputy minister.'

'Q. He is acting deputy minister. And he authorized that?—A. He came down as such.'

'Q. So the responsibility as between you and him is on him?—A. I think so.'

To his own counsel he stated (page 5149, volume 11):—

Q. Are all those extra men discharged at the present time?—A. No.'

'Q. Some of them are still working?—A. Yes.'

'Q. How many?—A. Well, I think there were 80 taken on and I think 40 have been dismissed, discharged rather.'

'Q. All those men were taken on on the recommendation of Mr. Roche or Mr. Carney?—A. I think so. Perhaps one or two others, pretty good men that came along we took.'

Mr. Desbarats gave his evidence in Ottawa.

It appears that he was in Halifax for the first time in October, 1908, (page 6385, volume 14):—

'Q. Evidence was given at Halifax by Mr. Parsons that you gave him a direction in October of this year that he should take on in service at the dockyard about 100 additional employees—between 80 and 100. Do you recollect that fact?—A. I recollect giving directions to Mr. Parsons to have certain work executed at the dockyard, and to do that work he must have taken on a certain number of men.'

* * * * *

'Q. I wish to know why you gave instructions at that time about 100 additional men should be taken on the service in the dockyard department?—A. I gave instructions to Mr. Parsons to take on the number of men necessary to do the work I authorized.'

'Q. Did you know how many that involved?—A. I should imagine it would take about 100 at that time.'

* * * * *

'Q. You are a gentleman of large departmental experience and otherwise: We would assume you knew of the conditions. You certainly knew that elections were pending?—A. Yes, sir.'

'Q. Was anything said about that at the time?—A. Do you mean that I had any conversation about elections: Oh, I dare say I had.'

(Page 6387, volume 14):—

'Q. Were you not spoken to on the subject by the candidates of the party at the time?—A. I was.'

'Q. About the employment of additional men?—A. I was.'

* * * * *

'Hon. Mr. CASSELS.—Q. By what candidates?—A. Roche and Carney.'

* * * * *

'Mr. WATSON.—Q. Was the subject introduced by them?—A. Yes. When I saw them they said they would like to have men employed when I could do so.'

He then goes on and describes the work to be done.

(Page 6389, volume 14):—

'Hon. Mr. CASSELS.—Q. Do you know if the men were taken on recommended by the two sitting members?—A. I do not know.

'Mr. WATSON.—Q. At any rate, the matter arose upon the suggestion of the members, who were then candidates?—A. They stated they would be glad if I could employ men at the dock.

'Q. For what reason?—A. I presume it would help them in their election.

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‘Q. And that was made to you in your capacity as acting Deputy Minister?—A. ‘Yes.’

I fail to see how such a transaction can be justified.

It was stated that similar increases had been made during previous elections. If this were so, it forms no justification.

It must also be borne in mind that the Halifax dockyards were taken over by the Dominion Government from the Imperial authorities on the 1st of January, 1907. Previous to that time they were owned by and under the control of the Imperial authorities.

The extent to which the influence of the members of parliament was exercised may be gathered from the evidence some portions of which I will quote.

Mr. Parsons (page 5088, volume 11):—

‘Q.....We have had from more than one witness that special orders were ‘obtained from time to time through the intervention of the members. What do ‘you say as to that?—A. Special orders?

‘Q. Yes. That is, when it was ascertained in some way that work was to be ‘done or material furnished, supplies furnished, that then the members would recom- ‘mend to you that the orders should be given to A. B. C. or D., as the case might be? ‘—A. That was under the rules of patronage.

‘Q. And did that apply from year to year?—A. Yes, sir. .

‘Q. And from month to month in every year?—A. Yes, sir.

‘Q. And did you observe those requests?—A. Generally, as far as we could.’

(Page 5089, volume 11):—

‘Mr. WATSON.—Q. Is that so, that some one would designate to you which mer- ‘chant or manufacturer or dealer particular orders should be given to from time to ‘time?—A. Yes.

‘Q. That has been the course?—A. Yes.

‘Q. Each time, yes. So it was not your own independent judgment that was exer- ‘cised from time to time as to where the work should be done or by whom, or by ‘whom materials should be furnished; that was done upon recommendation?—A. By ‘the member of parliament having the patronage.’

(Page 5091, volume 11):—

‘Q. Or in particular cases, where no tenders are invited, some one is picked out ‘from the patronage list; but in no case hitherto, except here, have the members ‘intervened so as to govern the patronage list?—A. Yes, they could take any name ‘off the list they wished, and they could add names to the list.’

* * * * *

‘Q. Yes. But start with the patronage list, you might have twenty on the pat- ‘ronage list. Well, the member comes along and designates which one to give the ‘order to in Halifax?—A. Yes, sir.’

Mr. Tremaine puts it as follows (page 5130, volume 11):—

‘A. I would put it something in this shape: we have a patronage list supplied ‘to us from which we are to order goods and work done from time to time. We try ‘to keep that, to deal with the people whom we consider will do the best work at the ‘most reasonable prices. From time to time we get special instructions that special ‘work is to be given to special people.

‘Q. From whom do you get those instructions?—A. From the members. It is all ‘a matter of record on our files, sir.

‘Q. Yes, that is your answer?—A. That is my answer.’

‘Hon. Mr. CASSELS.—Do you obey the instructions?—A. Certainly sir, we are—

‘Mr. WATSON.—You obey the instructions?—A. We do so from the department.’

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Mr. Parsons' view as to the manner in which the government should pay is expressed as follows (page 5143, volume 11):—

'Q. But I thought you said you had recognized that work for the government should be charged, would be charged for at a little extra prices?—A. A little extra. yes.

'Q. And should be passed accordingly: that follows, does it not?—A. Yes.

I would quote to you further extracts from the evidence.

W. G. Robertson is the junior member of the firm of William Robertson & Co. This is a very prominent firm in Halifax.

The sales during the three years, not including 1908, to the Marine Department amounted to about the sum of \$55,704.

He is asked (page 4472, volume 10):—

'Q. You are a wholesale house?—A. Wholesale and retail, yes sir.

'Q. Wholesale and retail. I suppose your trade is chiefly wholesale?—A. Chiefly 'wholesale.

'Q. So that you are known as wholesale dealers?—A. Yes sir.

'Q. And upon the whole the prices charged by your firm to the department upon 'goods and materials supplied I understand have been so supplied at a price about '10 per cent above the ordinary retail price?—A. Above the ordinary retail price?

He proceeds to point out that that does not apply except to goods furnished outside of contract.

'Q. Take the goods outside of contract, then is that not so?—A. I think that is 'about correct, sir.'

He states:—

'Q. Then a considerable portion of the goods supplied by you has been other than 'through tenders and answers to tenders?—A. I think about a third, sir.'

He denies that 15 per cent in excess of ordinary retail prices was paid, and then proceeds (page 4473, volume 10):—

'Q. You will deny that, but you will not deny that it may be 10 per cent in 'excess of ordinary retail prices?—A. I prefer to make no statement.

'Q. You said you would not deny it.

'Hon. Mr. CASSELS.—Mr. Robertson, you must know one way or the other whether 'the fact is as Mr. Watson puts it?—A. Your honor, I find Mr. Watson has as much 'knowledge or more than I have.

'Q. I know, but he has to bring it out. You see, he is here to bring it out in 'evidence, and he cannot do it without knowledge. The point you are asked is this— 'which you ought to be able to tell—is it a fact, taking the goods which you sold to 'the Marine Department at retail prices, that you got 10 per cent more than retail 'prices?—A. Which we sold at retail prices?

'Q. Yes.—A. Yes, sir.'

He is asked (page 4474, volume 10):—

'Q. Is it difficult to ascertain the ordinary retail prices of goods in Halifax?— 'A. It ought not to be.

'Q. Then you charged the extra price, I suppose, because you were selling to the 'department or to the government, is that it? That is what it comes to?—A. I sup- 'pose that is what it really comes to. The accounts were quite a while in being paid 'at times.'

* * * * *

'Q. How can you account for the agent here—because this inquiry, of course, 'by his lordship is a matter in respect to the officials—how can you account for the 'agent, Mr. Parsons, passing those accounts at those excessive prices?—A. I have no 'means of accounting for it, sir.'

(Page 4477, volume 10):—

‘Q. Who has had to do with the orders you got from the department from time to time?—A. Do you mean who had the recommending of it?

‘Q. Of particulars orders, yes?—A. Nobody but the members, I suppose.

‘Q. Who?—A. The members.

‘Q. Who are the members?—A. Mr. Roche and Mr. Carney.’

He states:—

‘A. We got the orders for the most part, I suppose, from the fact of our being on the patronage list.

‘Q. For the most part. But what else?—A. Any particular order we would ask the member at times to use his influence to see we got it.’

* * * * *

‘Q. Well, when you wanted to receive orders and to supply goods you would go to the members?—A. Not at all. If we knew there were goods wanted we would.’

(Page 4478, volume 10):—

‘Q. Now, then, is the fact that for the most part the ordering and supplying of goods has been under the direction in this agency of the members?—A. I don't think it has.....I think the direction of the orders—that is, after the department has decided what they wanted—the direction of the placing of the orders have been under the——

‘Q. What?—A. The direction as to the placing of the orders and as to which firm shall get the orders.

‘Q. I see. The direction of the placing of the orders has been by the member?—A. I think so.’

He is asked by Mr. Watson whether or not control of the Marine and Fisheries Department was taken out of the agent's hands and reserved to the members:—

Page 4480, volume 10):—

‘A. I would say no, as far as my knowledge goes.’

* * * * *

‘MR. WATSON.—Q. Is it not the fact that you have recognized that that is so, that Mr. Parsons, for all practical purposes, was not in it in connection with the giving of orders as far as the giving of orders was concerned?—A. We have not come in contact with him. That would be the deduction, I suppose, to draw.’

A. N. Melvin is in the hardware business.

He is asked in regard to his prices. He stated that he charged fair and reasonable prices.

(Page 4495, volume 10):—

‘Q. How would they compare with the prices of Messrs. Robertson & Co., do you think?—A. Favourably.

‘Q. You think favourably. Just about the usual 10 per cent over and above retail prices?—A. Yes, sir.’

His account for the three years was \$6,000.

(Page 4497, volume 10):—

‘Q. During this year (1908) who recommended orders to you?—A. I presume the members did.

‘Q. Oh, I see you presume the members did. That is, during this year, and the same last year?—A. Yes, sir.

‘Q. And the same the year before?—A. Yes, sir.

‘Q. It is in that way that you got the orders?—A. I think so.’

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C. C. Longard is asked (page 4680, volume 10) :—

‘Q. Then did you see any one else outside of the department in regard to the orders that you received or that you were seeking from the department?—A. Occasionally, yes.

‘Q. Whom did you see?—A. The members.’

G. A. Wooten, in speaking about orders is asked whether he spoke to anybody other than Mr. Parsons or Mr. Tremaine.

(Page 4630, volume 10) :—

‘Q. Did you speak to anybody else here?—A. I don’t think.

‘Q. Eh?—A. No, not from memory.

‘Q. Not from memory?—A. No, I don’t think I did.

‘Q. You don’t think you did?—A. Yes, I guess I did. I spoke to Mr. Roche, I had a letter from Mr. Roche.

‘Q. Yes.—A. I had a letter from Mr. Roche. I was complaining the way business was going, there was a lot of volume of business being done and I was not getting any patronage. I thought it belonged to the public, it was a public affair. I had a letter and I told him I didn’t think the letter was very much good unless he gave me an order for some specific line. I had letters before. I could not get anything for some reason or other. I got a specific order to make ventilators, I think, for that year and smoke——

‘Q. I understand you got that from Mr. Roche or Mr. Carney?—A. Mr. Roche, I think.

‘Q. Mr. Roche or Mr. Carney gave you that specific order?—A. Yes.

‘Q. What was it for?—A. Ventilators.

(Page 4634, volume 10) :—

‘Q. (Referring to his conversation with Mr. Parsons in reference to the order for ventilators). Then what was the conversation that took place between you and him?—A. Mr. Parsons said he would be glad to do anything he could, he was only acting there as an official and he would be pleased to give me anything in that line that come that way.’

H. C. Stevens was practically the managing man of Howell & Co.

This firm was making repairs to the government steamers, chiefly the *Lady Laurier* and the *Aberdeen*.

Their account with the department amounted to about the sum of \$28,000 during the three fiscal years.

There was no contract, and the prices were not fixed before the work was performed.

(Page 4776, volume 10) :—

‘Q. That was left to the firm to fix the prices?—A. Left to me, sir.’

He is asked:—

‘Q. Now then, I understand that in fixing the prices you added on profits in those accounts to the amount of about 50 per cent.—A. Added on to that amount?

‘Q. Added on to the cost about 50 per cent profit: is that about right?—A. That may be a little high.—Q. That may be a little high?—A. I would not like to swear it is not right.’

At page 4778, volume 10) :—

‘Q. They left it to you, I suppose?—A. The prices are about the port charges.’

He is asked how much more was charged to the department than to ordinary retail customers (page 4778, volume 10) :—

‘Q. How much more than the ordinary retail customers, 30 per cent?—A. Maybe 10 per cent.’

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(Page 4780, volume 10):—

‘Q. Did you have to apply to anyone else to get the order, special order?—A. No, ‘we sometimes asked Mr. Roche to recommend us.’

‘Q. I see, sometimes you would ask the member in respect to special orders, is ‘that right?—A. Yes, we thought some job might be coming on.’

He details at considerable length his course of interviewing the members and of obtaining their assistance.

He asked if he overcharged the department (page 4820, volume 10):—

‘Q. So when you get a good order you make it make up for the bad ones?—A. If ‘we don’t we would not be able to make it pay.’

‘Q. I see. That is a pretty bad condition of affairs, is it not?—A. Well, Mr. ‘Howell—I have often talked to him about giving up the job in the shop and ‘going ‘into a specialty, but you know it troubles you to think you have got to overcharge, ‘but you have got to do it.’

‘Q. And that is your reasons for making the overcharges you refer to?—A. That ‘is the reason.’

Captain Johnston, of the steamship *Lady Laurier*, has to discharge himself from blame in respect to two matters brought to light in the evidence adduced at Halifax.

First, in respect to the receipt by him of the sum of \$1,550, apparently paid him on account of so-called salvage services performed by the *Lady Laurier* and the officers and crew for the steamship *Hestia*.

The second, in respect to a sum of \$400 received by him for services performed by the *Lady Laurier* and by the officers and crew of a somewhat similar character in aid of the steamship *Mount Temple*.

The *Hestia*, owned by the Donaldson Line, was picked up in a sinking condition off Cape Sable on the 13th of May, 1906, by the *Lady Laurier*, the Dominion Government steamship.

She was towed to Shelburne Roads and beached on a sandy bottom.

Through the services of the *Lady Laurier* and the captain and crew of the steamship she was raised and taken to Shelburne harbour.

The *Lady Laurier* was occupied for a period of ten days in assisting the *Hestia*.

On the 20th of June, 1906, Captain Johnston wrote a letter to Colonel Gourdeau, Deputy Minister, setting out the details of his work, in which he states:—

‘If the government is not going to make a claim, I would like to do so for myself ‘and crew, as the best advice I can get in Halifax say that the crew have the same ‘claim as if they were in a private steamer.’

Prior to the 20th of June and on the 22nd of May, 1906, the Deputy Minister had wired the agent of Marine and Fisheries at Halifax as follows:—

‘Reference *Hestia*. If no other steamer available *Lady Laurier* is to render all ‘possible assistance in getting her to Halifax. It is to be an understood thing that ‘the owners *Hestia* are to pay for work done, and you will make arrangements with ‘them to this effect. Communicate with Pickford and Black.’

Pickford and Black were the agents of the owners of the *Hestia*.

Acting on this telegram Mr. Tremaine interviewed Pickford and Black and informed them that \$400 a day would be charged for the services of the *Lady Laurier*, and to this charge the agents did not object.

This interview was immediately after receipt of the telegram of the 22nd of May.

The *Hestia* was placed in dry dock in Halifax about the 1st of June.

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This agreement was apparently not communicated to Captain Johnston.

Apparently Captain Johnston threatened to libel the *Hestia* if his claim was not paid.

On the 28th July, 1906, Pickford and Black wired the Deputy Minister as follows:

‘F. Gourdeau, M. and F. Ottawa. Attorney for Johnston, Master of *Lady Laurier*, notifies us as agents of steamer *Hestia* that he intends libelling *Hestia* for services rendered in assisting her to Shelburne in May last and intimates \$20,000 as amount claimed. Underwriters are quite ready to recognize Johnston and would doubtless deal liberally with him, as they usually do under such circumstances, but surely your department would not permit any such action on the part of its servants as proposed, which, if allowed, it seems to us be viewed with discredit by owners, underwriters and others interested. Pickford and Black.’

On the 29th July, the Deputy Minister wired Pickford and Black:—

‘Have instructed agent in Halifax that Johnston no right to take action *re Hestia* without orders department here.’

There was also a telegram on the 29th July, 1906, to the agent at Halifax:—

‘Department advised that Johnston, *Lady Laurier* libelling *Hestia* for services rendered. Matter is under consideration and he has no right whatever to take action unless directed by department.’

It appears that Pickford and Black paid Captain Johnston \$1,550 prior to the 19th November, 1906.

On the 28th November, 1906, positive orders were given to the agent at Halifax by the Deputy Minister that the \$1,500 was to be immediately refunded.

Johnston was at once notified, but declined to refund the money.

On the 14th December, 1906, a memorandum was signed by the Deputy Minister, in which he points out the misconception Captain Johnston was under as to his position and the scope of his duties, and recommending that proceedings should be taken to recover from the owners of the *Hestia* the \$400 per day agreed to be paid.

The minister approved of this action.

A letter was accordingly written to Pickford and Black on the 8th January, 1907. (Dated erroneously in the copy 1906). Claiming \$3,600 for nine days.

On the 19th February, 1907, the department, having been advised by the Department of Justice that the claim should be made against the owners, a formal demand was made upon A. F. Donaldson, of Glasgow, for \$3,600.

The matter was then referred by Messrs. Donaldson to their Montreal agents, and a letter of 17th May, 1907, was written by the Reford Company to the Deputy Minister. This letter reads as follows:—

‘Colonel F. Gourdeau, Deputy Minister, Marine and Fisheries. Referring to claim of C. G. S. *Lady Laurier* for services rendered the ss. *Hestia*, we wrote you in regard to this matter on the 26th February last and do not appear to have received any reply to this letter. However, A. F. Donaldson, of Glasgow, writes that your department have written him in regard to the matter, and as he has already placed this matter in our hands for settlement, present is to advise you that we will be pleased at any time to take up the question with you as per our instructions from Messrs. Donaldson Brothers.’

A memorandum is indorsed on this letter with the initials ‘F. G.’:—

‘I have seen Mr. Reford about this claim and asked him to let it stand until he could discuss the question with the Minister. I do not see how we could claim

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'the amount until the extraordinary action of Captain Johnston has been dealt with, who claimed, and was paid to himself and crew, the sum of \$1,500, which action has no precedent in the department. (Signed.) F. G. 22/5/'07.'

Nothing further, as far as the evidence before me or the files of the department indicate, has been done, and so the matter rests.

Captain Johnston was represented by counsel. He was not examined.

In my opinion he was not entitled to claim salvage without the approval and consent of the department.

Moreover the facts as stated by Mr. Tremaine and corroborated, show that the bargain was made by which the services of the *Lady Laurier*, including the officers and crew, were to be rendered for the sum of \$400 a day.

I think the conduct of Captain Johnston in returning this money is without justification.

The *Mount Temple* stranded in December 1907, and was floated in April, 1908.

Some services were performed by the *Lady Laurier* and advice given by Captain Johnston, then inspector of lights as well as Captain of the *Lady Laurier*, and the sum of \$400 was paid to him and retained by him.

He had no right to keep this money.

One other matter has to be considered in connection with the Halifax investigation.

It would appear that the government vessels were being furnished with luxuries which in the opinion of Messrs. Parsons and Tremaine should not have been furnished.

Their opinion seems to be that it was not befitting that the food furnished to the officers of these vessels should be on the same scale as that furnished to first-class passengers by the Allan line of steamers or other trans-Atlantic vessels.

Mr. Parsons states that he continuously objected to the extravagance in connection with the supplies furnished.

In his evidence he states that the deputy minister was in Halifax accompanied by Commander Spain, and that he objected to them to the quality of the goods furnished.

He puts it in this way (page 5082, volume 11):—

'Q. No. I am asking you is there any useless expenditure incurred here?—A. I think there is not this year.

'Q. This year, I see. What about last year?—A. Oh, there may have been some luxuries on board the ships, somewhat similar to what the table is on ocean liners, and it was not with—it was with my knowledge part of the time, it was not with my consent.'

'Q. Against your protests?—A. Yes.

'Q. To whom did you protest?—A. I protested to the Deputy Minister, Mr. Gourdeau.

'Q. And what were you told by him?—A. That they would, that the crew would go to the members, and the members would write up to Ottawa and make a fuss about it, and it was just as well to let it rip.

'Q. And when was that occasion?—A. That was about 1896.

'Q. 1896: that is a long time ago?—A. Only ten years.

'Q. Once in ten years is often enough to rip?—A. Yes, I should think so.

'It would last for at least ten years?—A. It is remembered—

'Q. It is remembered?—A. Because I had endeavoured to cut down the bills and to stop the luxuries, and Commander Spain and Mr. Gourdeau, the Deputy Minister came here, and I laid the matter before them.'

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He goes on to state that this last year (1908) by orders from Ottawa, pressure has been put on again. (Page 5084, volume 11):—

‘Q. What pressure?—A. Taking away fruits from the table two or three times a day, fruits out of season, tropical fruits.’

‘Hon. Mr. CASSELS,—What did the Deputy Minister say about the pressure that would be brought to bear in Ottawa by members and so on?—A. He said: ‘they will go to the members, and the members will write to Ottawa and bother us up there, and you had better be easy on it.’

‘Mr. WATSON.—Has that been allowed to run on since 1908?—A. I think so.

‘Q. In consequence of those instructions of the Deputy?—A. Oh, yes; I was opposed to it.

‘Q. I understand.—A. I did not allow it.

‘Q. Still you allowed things to go on in consequence of instructions?—A. I had to bow very much against my will, because I had given a decision before, which I had to recall.’

Mr. Tremaine confirmed in the main the interview detailed by Mr. Parsons.

He is asked (page 5106, volume 11):—

‘Q. Well, now, be a little bit shorter, please, Mr. Tremaine, will you. Now, were you present at the interview when the Deputy Minister was here and Commander Spain?—A. I was present at one interview.

‘Q. At the interview?—A. Yes.

‘Q. That is the interview to which Mr. Parsons made reference?—A. I was present at the interview.

‘Q. Will you just tell us what took place at the interview?—A. What Mr. Parsons stated is correct.

‘Q. What took place on that occasion?—A. The department had made a protest from Ottawa at the expense of the provisioning of the ship. We informed the department both by letter and on this occasion it was impossible to keep the expenses down if we had not the control of the supplies. For a number of years we had that control, but the captain of the ship was given a more free hand as to what he was to be allowed to order. We had tried here——

‘Q. You see, I asked you what took place at the interview. I do not want to go back 14 years. I am speaking of the interview?—A. That is what we stated, we had not control of the supplies that were purchased.

‘Q. That is what you told Colonel Gourdeau and Commander Spain?—A. Yes. He told us to give them more latitude—I am not prepared to state at this late date the exact words he used—but that was the impression left on both Mr. Parsons’ mind and mine, that we were not to cut out certain things.’

In reference to the expression ‘let it rip’:—

‘Q. Mr. Parsons said that Mr. Deputy used the expression at that time of ‘let it rip.’—A. I am not prepared to say that, Sir, I have no recollection of that expression.

‘Q. I see. Was it to that effect, does that describe it?—A. It was to the effect I stated before.

‘Q. What?—A. That we were to give them more latitude—because——

‘Q. Listen. You had been complaining up to that time that the latitude was too great?—A. We were.

‘Q. And then you were told you were to give them more latitude?—A. Yes.

‘Q. Widen it up?—A. Yes.

‘Q. I see. And what did you say, if anything, at that time?—A. We accepted our instructions.

‘Q. What did you say?—A. We protested.

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'Q. What did you say?—A. We said that we were in the habit of cutting out such things as I, for instance, and Mr. Parsons could not afford to purchase in our own houses. We thought what was good enough for us should be good enough for the officers of the ship; we could not get certain things out of season.'

'Q. That is the way you put it. What did Commander Spain say, if anything? —A. He said to the same effect.

'Q. As Mr. Gourdeau?—A. Exactly.

'Q. Then was that a matter that you communicated afterwards to the Minister? —A. On several occasions.'

There is a discrepancy between Mr. Parsons' evidence and that of Mr. Tremaine's as to dates.

Mr. Parsons states that this interview took place in 1898. Mr. Tremaine, on the other hand, places the interview somewhere about the 7th of October, 1905.

Either Mr. Parsons is mistaken as to his dates or Mr. Tremaine.

The fact, however, remains that such an interview at sometime or another did take place.

The result is shown from the accounts.

Since Mr. Desbarats has taken hold of the department matters have been changed.

Mr. Parsons states that the files of the department would show the facts.

I have sent for all the files and have been shown by Mr. McClenaghan every letter stated to be of record in the department in connection with this matter.

I can find no correspondence.

MONTREAL AND SOREL AGENCIES.

A large number of witnesses were examined before me in Montreal. All merchants or others dealing with the department, with the exception of those whose dealings were of trifling amount, were minutely examined by counsel.

A skilled accountant was employed to check the books of a number of the merchants.

A considerable amount of the evidence related to the lighthouse board and to the improvement to navigation. I dealt with this question in an earlier portion of this report.

Considerable evidence was adduced in reference to what may be called the Merwin-Brooks transactions. I propose to deal with these transactions later on when reporting on the Ottawa officials.

Also with regard to the Coghlin purchase of silverware for the steamship *Montcalm*.

Those subjects are better dealt with later.

Mr. U. P. Boucher was the resident agent in charge at Montreal; Mr. Desbarats the chief controlling power in Sorel.

Generally, excluding the matters reserved for subsequent report everything relating to the purchases, contracts, &c., presented a pleasant contrast to what I have previously reported on.

The merchants testifying in Montreal are gentlemen of standing and, as far as the evidence shows, no advantage was taken in their dealings with the department.

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I may say the same in regard to the gentlemen from Sorel. They gave their evidence frankly and fairly.

There are some minor matters of very slight importance where possibly a few overcharges may have been made.

In regard to Mr. Boucher, he left the service of the Marine and Fisheries Department in August, 1908.

His method of dealing with government moneys, depositing the same to his own credit in a great many instances and blending them with his own moneys, was incorrect.

The amounts were not large.

The books seem to have been checked periodically by inspectors of the department, and the manner in which he was handling the moneys was known.

No loss was occasioned to the department.

The system of dealing with these moneys, remitting to Montreal and Sorel for payment of wages, &c., has been changed for a considerable period, and I do not think Mr. Boucher can be seriously found fault with.

OTTAWA.

A considerable number of witnesses from Toronto, Kingston, Prescott, Sarnia and Quebec as well as from Ottawa were examined before me at Ottawa.

I proceed to discuss the various officials whose conduct requires special mention.

Colonel Gourdeau. Colonel Gourdeau was Deputy Minister for a great many years. He retired on or about the 1st of April, 1908, and has, as I understand, been accorded leave of absence pending this investigation.

The Civil Service Commissioners in their report state as follows:—

‘The department is practically swamped with correspondence, 100 to 120 letters a day being about the average. Each letter has to be put on the file to which it has relation, and that means a day’s work of the records staff of the department, which consists of six officers. Next morning the files are distributed among the different officials for the new letters to be answered. This means the enforced delay of at least one day, which might often be serious in the case of important business. When answers are prepared to the letters they are presented for signature to the Deputy Minister, who is assumed to know all about them, but which is practically impossible. In not a few cases, letters are written, signed by the deputy and despatched, notwithstanding that they may be in conflict with previous correspondence or instructions on the same subject, and therefore calculated to bring reproach and discredit on the department.’

In the evidence of Colonel Gourdeau given before me at the first sittings in Ottawa, referring to this observation of the Civil Service Commissioners, he states as follows:—

(Page 792, volume 3):—

‘Q. Then, reference is made to blundering correspondence?—A. Yes. Well——

‘Q. Which seems extraordinary that should exist?—A. That is another thing, I assure you, if he had given us an opportunity to explain how the correspondence is managed in the department he would be perfectly satisfied; any intelligent man would be.

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‘Q. What do you say as to the system?—A. I say the system is as perfect as it can be in a government department. I may say this, too, that two years ago a gentleman who had been sent to Washington by the department, my lord, came to our department on business. He visited our correspondence branch and told Mr. McClenaghan, the gentleman examined here yesterday, that if he had known our system was so perfect he would have avoided his trip to Washington. It is an absolutely perfect system. There is another thing I would like to add. He said it was impossible for a person to overlook the correspondence and sign all the letters signed knowing what they were. Well, he did not consider what he was saying for a moment. We will take a case in point. Supposing that the agent in Quebec wishes to expend \$50 on the repairs to a lifeboat or something like that; that is sent to the officer in the department who has got that in charge, he prepares a memorandum, in which he says to the minister: “I recommend, for such and such reasons, that the repairs asked for by the agent of such and such a place be granted for the following reason.” I examine that, I initial it. If it is a large enough amount, that goes for the minister’s initials also. Then there is a letter prepared. Now, it stands to reason when that letter comes to me to be signed I have only to glance at it to see what it is about, and while there might be an error in the spelling that I might not notice, I would know the purport of the letter. I may say that during the last two years I have worked on an average twelve hours a day; I have rarely taken a Sunday, I have rarely taken a half-holiday on Saturday. I attended to my work as much as I could, and it took me an hour and twenty minutes and an hour and a half to sign my correspondence every day, and I knew what I was signing perfectly and thoroughly.’

I quote this evidence because later on I refer to instances where his evidence, in my opinion, is in direct conflict with the correspondence on the files of the department.

I think it unfortunate that the Deputy Minister, after the issue of the commission, should have had access to the files of the department. It appears that papers have been destroyed. It may be the papers burnt would throw no light on the matters investigated. Nevertheless I would have preferred a perusal of the papers destroyed rather than a perusal of the basketsful of papers of a semi-private character not destroyed.

In his evidence Colonel Gourdeau states as follows (page 99, volume 1):—

‘Hon. Mr. CASSELS.—Q. Have you destroyed any of your private papers within the last two months?—A. Oh, yes, private letters and all that kind, but nothing bearing on the department.

‘Q. I am just asking you the question?—A. Yes.

‘Q. Were those letters up in the department when they were destroyed?—A. My secretary was with me when I was destroying——

‘Q. I am not asking you that. I am just asking you whether those were letters or papers in the department?—A. Nothing referring to the department.

‘Q. I am not asking you that. They were up there, in point of fact?—A. Yes, with my private papers.

‘Q. Did you go over those with your secretary?—A. Yes.

‘Q. And were many papers destroyed between you and your secretary?—A. No.

‘Q. Private papers?—A. No.

‘Q. To what extent was the destruction?—A. I could not tell.

‘Q. How long were you occupied in going over and destroying them?—A. Oh, it was during the office hours; I was just getting my drawers emptied.

‘Q. I just wanted to see. There might be a distinction between official papers and private papers.’

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Mrs. Thomas, a most capable and efficient official and evidently loyal to the deputy minister, states as follows (page 103, volume 1):—

‘Q. Well, if anything was destroyed in the department of the deputy minister you would know?—A. You mean private documents?

‘Q. Of any kind?—A. I do not know. I cannot say anything of the official. Private documents I know, there have been some destroyed.

‘Q. What do you mean by private documents, please?—A. Personal things, private letters of the deputy minister's, entirely personal matters, we filed there and nothing else, sir.’

(Page 106, volume 1):—

‘Q. Let me ask you—I did not anticipate this—have you in any of this correspondence of a personal nature seen any reference to departmental matters?—A. Departmental?

‘Q. Yes; that is, official matters?—A. Well, in this connection I may say this: A member may write to the minister in regard to a certain thing, and before they answer this member perhaps the official minister may request the deputy minister to please write to the agent and ascertain if those are the facts and what reply I can give to the member. In that case the deputy minister would write privately to the agent. Some things like that. Of course, they affect the department in a way.’

‘Q. I see. From some agent?—A. Yes, and so on. Sometimes a minister wants certain information with regard to a matter, and before anything is done officially sometimes the minister may want to have the agent's opinion, or the captain of a vessel about a certain trip they want to make for the Governor General, and so on. Sometimes they are not put on the official file, and we have got heaps, I may say, of such letters as that. You may perhaps call them semi-official, but they are, of course, written privately, not officially.’

I cannot understand how the manner in which the affairs of the Marine Department were being conducted in Quebec, St. John and Halifax could have been unknown to the deputy.

It is stated that the inspectors did not do their duty.

Continuous complaints were being made of excessive prices paid and so forth, but apparently there was no practical interference on the part of the deputy minister responsible for the proper management of the department.

In dealing with the Quebec agency and with Mr. Gregory I stated: ‘Later on when dealing with the Ottawa officials, I will have to refer to certain correspondence passing between him and the deputy minister.’

During the year 1905 there was a series of letters complaining about excessive expenditure. For instance, on the 13th of June, 1905, again on the 13th of July, 1905, and the 10th of August, 1905, the 19th of August, 1905, the 13th September, 1905, the 14th December, 1905, and the 21st December, 1905. These letters are contained in exhibit 205 filed before me.

On the 27th December, 1905 a private letter was written by Colonel Gourdeau to Mr. Gregory. It reads as follows:—

(Page 3294, volume 8):—

‘(Private.)

‘MY DEAR GREGORY,—As regard the letters which have been written to you lately, and which will probably be written again they are simply to save the department in the eyes of the Finance Minister, they are doing all they can to curtail our expenses, but that cannot be done.’

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How it could be expected that the agent at Quebec would obey his instructions from those responsible for the expenditure in the face of such a letter. I fail to understand.

His explanation of it is as follows (page 6308, volume 14):—

‘Q. (After referring to the letter). Now, then, another letter was produced, written by you the same day or the next day to Mr. Gregory, in which you told him in effect that that was a matter of form, that he need not pay any attention to it. How do you explain that?—A. Was it exactly in those words?’

‘Q. Yes, in effect? How can you account for that?—A. In connection with the very severe letter, I was in Quebec, to meet the parties; I saw Samson Filion, whose accounts we had refused to pay for months.

‘Q. Don't get off?—A. And Gregory felt very badly about the letter I had written to him. I said, “Gregory, if I have said anything to offend you, I am sorry, and if it will pacify you at all, I will write you a note, but we are annoyed by the accounts that are paid here, and the minister is furious at the prices charged, and we must have a change here,” and he told me he would do everything he could to carry this out. If I wrote a letter like that, it was not to countermand a strict letter that was written, at all.’

‘Hon. Mr. CASSELS. The strict letter was to the effect that no payments were to be made until there was money voted to pay them?—A. Yes.

‘Hon. Mr. CASSELS.—Your private letter was, “don't pay any attention.” That letter is on file.’

‘Mr. WATSON. Q. Here it is: Listen to this.’

The letter is read to him. His answer is:—

‘A. Well, I do not see anything very wrong about that letter, for this reason, that that related——

‘Q. Well——?—A. That related to our votes, sir.’

Meaning, I apprehend, votes for expenditure.

In his evidence at the opening of the commission the Auditor General referred to certain silverware that was imported apparently for the use of the Dominion government, duty free. His statement is that the government never got the benefit of this silverware.

This certificate states:—

‘That the goods imported into the port of Montreal marked or addressed as follows: ‘B. J. Coghlin & Co., Montreal,’ containing electro-plate and silverware for Dominion steamers, valued at \$79.08, &c., have been imported by and for the use of the Dominion Government or a department thereof.’

This certificate is signed by Colonel Gourdeau, giving his official rank as Deputy Minister of Marine and Fisheries.

Attached thereto is the invoice, and in the margin of the invoice is the following:—

‘This is the invoice referred to in my certificate, dated this day and attached hereto. (Signed). F. Gourdeau, Deputy Minister, Marine and Fisheries.’

It was alleged that this silverware was imported for the personal benefit of the deputy.

In giving his evidence before me this certificate was read to Colonel Gourdeau, and the following questions were put to him (page 6280, volume 14):—

‘Q. The information I have is that those goods were not for the Dominion Government or a department of the Dominion Government, but for yourself?—

‘A. No, I do not believe it.

‘Q. What is the fact?—A. I do not know how it is. It must have been given to me to sign by a clerk of the department. I do not know.

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‘Q. Did these goods not go to your own house?—A. I do not believe it, no.

‘Q. Look and see; here is the invoice?—A. That is prepared by an officer of the department from some place; he would have asked me to sign that, and I would sign it.

‘Q. Have you looked at the invoice?—A. I do not recognize that as anything I bought from them.

‘Q. Did these goods go to your own house?—A. No, I never bought goods to that amount.

‘Q. Were they presented to you?—A. No.

‘Q. Or at your house?—A. No.

‘Q. Were they admitted duty free?—A. That I cannot tell you; I have purchased and I got the account for the goods from Mr. Coghlin, and I paid for them.’

Since the inquiry I have received a letter from Colonel Gourdeau, and in justice to him I quote it in full. It is dated December 29, 1908:—

‘Since my examination in the matter of the Marine and Fisheries investigation, I have made inquiries concerning the certificate issued with reference to the non-payment of duty on a quantity of silverware bought by me. The certificate in question was signed by myself under the impression that it related to goods purchased for the department. As I can be no longer under that impression, I thought it my duty to refund to the Customs authorities the sum of \$15.82, which is the amount of duty on the goods in question.

‘I may add that the certificate in question was not prepared by me, and was signed with several other official documents prepared in the same way and presented to me for my signature as deputy minister, and the officer who prepared the certificate, Mr. Stumbles, has assured me that he did so in the belief that the articles were for the use of the government.’

I would imagine the memory of a witness in 1905 should have been as good as in 1908.

THE ‘KING EDWARD.’

This vessel was chartered by contract contained in letters of May 31, 1904, and June 2 of the same year, for four months, at the rate of \$125 per diem from Holliday Brothers.

At the time of the contract Holliday was receiving from the government, in addition, the sum of \$50 per day for carrying mails.

In addition to this the owners had the right to carry freight.

In his evidence Holliday states as follows. (Page 5341, volume 12.) After referring to letters of August 8 and 11:—

‘Q. Now, you have already told us that during this time the outside earnings of the ship daily were about equal to the \$175 a day under the two contracts?—A. Yes, sir.’

I think that this amount is over stated, and in a subsequent part of Mr. Holliday’s evidence he states it would not amount to that. The exact amount is not given.

The contract was deliberately made. The purpose for which the steamer was chartered was well known to both the deputy minister and Holliday. The contract was entered into by the deputy minister. It was a contract for the use of the steamship during the months of June, July, August and September, needless to say, the least stormy months of the year.

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Holliday, instead of being paid the contract price, received about \$6,600 more than he was entitled to.

He was paid at the rate of \$200 a day, and, apparently with the object of showing zeal for the interests of the country, he was docked \$20 a day as an offset against the personal use of the steamer by him in carrying freight, &c.

He received \$180 a day, or about \$6,600 more than he was entitled to.

Unless all written records are to be brushed aside, and evidence of a very loose character is to be accepted in lieu thereof, the finding must be as I have stated above.

It is sought to place the responsibility for this disregard of the contract and the overpayment on the late Minister, the Honourable Mr. Préfontaine, I think there is no foundation for such a contention.

Reliance is placed upon a memorandum, which I set out:—

‘(Memorandum for Deputy Minister):

‘The construction work in the Gulf of St. Lawrence last year was carried out with the assistance of the steamer *King Edward*, chartered at the rate of \$180 per diem, and which at the same time had work of her own to perform which greatly handicapped the department.

‘There is a large amount of work to be done this season in the Gulf, and it is advisable that his branch of the department should have a boat absolutely at its disposal for construction work. I would strongly recommend that a suitable boat be purchased, and fully believe that the cost to the department in a few years would be much less than if a boat is to be hired each season as was done last year.’

It is signed: ‘B. H. Fraser. Dated Ottawa, Ont., 17-1-1904.’ This is manifestly a mistake for 1905

Below in ink is the following:—

‘I concur. This boat should be under our orders, and at our disposal, and not under agent’s control, and should be first of all a cargo boat.—W.P.A., 17-1-’05.’

At the foot of this is: ‘Memorandum Prepare statement of expenditure of hiring boats’ (Signed) R. P.’

There is not a tittle of evidence on the file indicating that the late Minister was aware of the terms of the contract. In point of fact the contract was not a contract at the rate of \$180 per day. The contract was at the rate of \$200 per day, the contractor, Holliday, being subsequently docked \$20 a day, on the alleged ground that he had been utilizing the boat for his own purposes.

This memorandum would no doubt be placed before the late Minister, but it does not, in my judgment, prove that he was aware of any change in the contract as originally made from \$125 per day to \$200 per day.

Since the hearing I have been furnished by Colonel Gourdeau with another document, namely, a report to His Excellency the Governor General in Council, dated March 22, 1905, Report Book No. 12, page 52.

This is a report signed by the late Minister, Mr. Préfontaine. It is a report dealing with a number of matters. The clause in this report, upon which reliance is placed to show that the late Minister was aware of the change of the contract from \$125 per day to \$200 per day is as follows:—

‘The undersigned has the honour to report for the information of Your Excellency that owing to the large amount of work in connection with the proposed new aids to navigation in the form of building new lighthouses, placing new buoys and the

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‘installation of new Marconi stations and submarine bells it is absolutely necessary that the department should be provided with another construction steamer. Last season, in order to carry out the necessary work, the department, in addition to using its own vessels, was compelled to charter the steamship *King Edward* and also to hire schooners to carry freight and materials to different parts of the Gulf, which hire and charter cost the department the large sum of \$36,370, and the work performed did not give satisfaction.’

The Minister was no doubt in this report referring to the accounts and the outlay. The statement is not merely confined to the charter of the *King Edward*, but also to the hire of schooners to carry freight and material to different parts of the Gulf.

A careful perusal of the correspondence on file relating to this matter demonstrates that so far as the correspondence is concerned it cannot be gathered that the late Minister had anything whatever to do with this variation.

Repeatedly during the examination of Colonel Gourdeau he stated that he could bring evidence to corroborate his statement that the variation took place with the assent of the late Minister. The witness referred to was Mr. Power, late member for Quebec. I invited Colonel Gourdeau to produce the evidence. No such evidence has been given, and I have to judge of the matters on the evidence adduced before me. In a great many respects the evidence of Colonel Gourdeau was unsatisfactory and contradictory.

On the file there is inserted a document which purports to be a charter party made on the 18th day of June, 1904, ‘Between His Majesty, King Edward VII., represented herein by the Honourable Raymond Préfontaine, Minister of the Marine and Fisheries of the Dominion of Canada, and Holliday Brothers, owners of the steamship *King Edward*.’ This purports to be a charter of the steamship from the 18th of June, 1904, until the 30th of September, 1904. It contains the stipulation:—

‘The said minister covenants and agrees to pay to said owners of the steamship *King Edward* the sum of \$200 per day of 24 hours for each and every day that the said steamer *King Edward* is engaged in the service of delivering lighthouse construction material for the stations referred to.’

This contract is not executed on the part of the Crown. The evidence shows that it was not executed by Holliday Brothers until late in the fall of 1905. The payments to Holliday had been made on June 17, 1905.

On November 16, 1905, the Auditor General wrote to the Deputy Minister of Marine a letter in which he states:—

‘SIR,—I beg to ask for explanation of a payment of \$20,792.50 made to the People’s Bank of Halifax for steamship *King Edward* and owners by cheque No. 22145 of the fiscal year 1904-5. Was there an agreement with the owners of the steamer *King Edward* as to the price to be paid for the steamer when used by your department? If so, please send me a certified copy of it.’ and so forth.’

‘In answer to this letter the deputy minister wrote to the Auditor General a letter dated December 26, 1905, in which he states:—

‘SIR,—With reference to your letter of the 16th ulto., asking for an explanation of a payment of \$20,792.50 made to the People’s Bank of Halifax for the steamship *King Edward* and owners by cheque No. 22145 of the fiscal year 1904-5, I beg to enclose herewith copy contract entered into between the owners of the *King Edward* and the department.

‘You will notice that according to the contract the owners of the *King Edward* were entitled to \$200 and also a reasonable remuneration for extra work when re-

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'quired for discharging material, &c., but only \$180 a day was granted because the owners of the steamer carried some of their own freight. This reduction of \$20 a day was considered a very fair indemnity to the department.'

It must be observed in reference to this letter that there was no contract in writing in existence, except the contract evidenced by the letters of May 31, 1904, and June 2, 1904.

The contract referred to in this letter to the Auditor General was the alleged charter party of June 18, 1904, signed by Holliday, not by the Crown.

In dealing with this alleged change of contract Holliday states as follows:—

He is referred to his letters, one of May 25, 1904, to William Power, member of parliament, Ottawa, in which it is stated:—

'We have been invited by the representative of the Marine and Fisheries Department here to tender for carrying supplies and construction material for lighthouses as far down as the Straits of Belle Isle. We have tendered our services with our steamship *King Edward* at the rate of \$200 a day, the vessel being available in the month of July.'

This offer was not accepted, and on May 31, 1904, Holliday wrote to the deputy minister as follows:—

'We now beg to confirm our verbal agreement of yesterday *re* charter of above vessel for period of four months dating from 'time she commences taking cargo, on or about June 20, at the rate of \$125 per day, we to provide everything necessary for the running of the vessel. As agreed, the vessel of course will be allowed to land her mails, &c., at certain times when coming to and from points she may be ordered to by your department, which may detain her a few hours, &c.'

A letter of May 25, 1904, has been previously written to the deputy minister tendering the steamship at the rate of \$200 per day.

This offer was accepted by letter of the deputy of June 2, 1904.

Holliday in his evidence (page 5318, volume 12) states:—

'Q. Now, following upon that apparently you were not able to make the contract at that price, and then you agreed to take \$125 a day instead of the \$200 which was previously asked: That is the position, according to this correspondence?—A. Apparently, yes.'

(Page 5321, volume 12):—

'Q. We have passed for the moment this contract with regard to the *King Edward*. As I understand you, what you say is there was a definite and distinct contract made in the regular way as a business matter for the chartering of that vessel at \$125 per day?—A. Yes, sir.

'Q. That is right?—A. Yes.'

He is referred to the contract for carrying the mails:—

'Q. Now, you had a contract with the Department of Trade and Commerce for the carrying of mails?—A. Yes.

'Q. At the same time?—A. Yes.

'Q. And under that contract you were to be paid how much?—A. \$8,000, I think.

'Q. That would amount to \$50 a day?—A. Eight months.'

'Hon. Mr. CASSELS.—She would run from June 20?—A. About \$50 a day.

'Mr. WATSON.—So there is no mystery about that. That is the way it was paid, \$50 a day. That contract was current then at the time this contract was made for the *King Edward* at \$125 a day?—A. Yes.

'Q. So for the use of that ship in the double way you would be earning through her \$175 a day for the two contracts?—A. The way you put it, yes.

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Then he puts it, with the additional right to carry freight. (Page 5322, volume 12):—

‘Q. Of course, that was remuneration you were to receive for the special service indicated, and in addition to that you had the right to carry traffic otherwise as you could?—A. Yes.

‘Q. That, of course, is personal business of your own with other people, but I mean to say you were having a distinct and positive revenue from other sources from day to day?—A. Yes.

‘Q. Probably equal to the revenue you were getting from the department, probably so, I do not want——?—A. Yes, probably.’

In reference to the change he puts it as follows at the foot of page 5323:—

‘Q. Was there any variation from that contract?—A. Yes or no, please?—A. I mean—there must have been, there was, yes.

‘Q. There must have been?—A. Yes.

‘Q. Notwithstanding the signing of that contract did you afterwards claim \$200 a day from the Marine Department instead of \$125 a day?—A. I believe we did.

‘Q. Do you mean to say you are not quite certain—speak up, Mr. Holliday—are those matters uncertain matters in your mind?—A. No, they are not uncertain. What I have seen of the accounts since, we got more than that.

‘Q. From what you have seen of the accounts since you got more than that?—A. Yes, since the investigation.

‘Q. Do you mean to say, then, that is about all you know about it, that you observed since from the accounts you got more?—A. No. I was aware we were supposed to have got \$200.

‘Q. You were supposed to have received \$200 a day?—A. Yes.

‘Q. Notwithstanding the fact, you made this contract at \$125 a day, is that right?—A. Yes.

‘Q. I see. And you were supposed to be receiving that from the commencement?—A. Yes.

‘Q. From the commencement, notwithstanding the contract. And you got that supposition from whom?—A. Mr. Spain.’

Later on (page 5325, volume 12) he puts it this way:—

‘Q. So that you say now that at a little later time you supposed you were getting \$200 a day from the commencement, is that right?—A. Well, yes.

‘Q. What is right?—A. At a later date.

‘Q. Tell me when that was, please?—A. Well, I don’t remember quite, but I remember talking to Mr. Power about it, and Mr. Power went over and saw the Minister of Marine.

‘Q. How do you know?—A. Because he told me.’

(Page 5326, volume 12):—

‘Q. You told Mr. Power, I assume, that you had signed this contract at \$125 a day, did you?—A. I don’t know that.

‘Q. Eh?—A. I would not say that.

‘Q. You would not mislead Mr. Power?—A. No. I didn’t say I was misleading him, but I don’t know how the question came up.

‘Then you are not sure you told him you had made a contract at \$125 a day?—A. No.’

‘Q. Then I gather from what you say that you received some expression of sympathy from Mr. Power and he was to intervene for you?—A. Yes.’

This is the manner in which Mr. Holliday explains the entering into of the alleged new contract.

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Colonel Gourdeau, in his evidence, puts it as follows (page 5533, volume 13):—

‘Q. It is a fact a definite contract was made by correspondence with Holliday Brothers for the chartering and use of the *King Edward* at \$125 a day?—A. The “file——

‘Q. Do you recollect that?—A. No. The file would show that. I would not recollect that; I have not been in touch with the department since 1st of April last.

‘Q. You would not recollect that fact?—A. No.

‘Q. The correspondence, I see, was with you directly?—A. Certainly, but I would not know what it was without looking over the file and verifying the thing; without doing that I would not undertake to say.

‘Q. Well, we find that such a contract was made. Was that in the ordinary and regular course of business of the department?—A. For the contract to be made?

‘Q. Yes?—A. Yes.’

‘Q. What would you want to make a contract for?—A. Oh, to settle the obligations on both sides.’

‘Q. Now, I find by the correspondence that before that contract was made Holliday Brothers, by letter, asked for a larger sum, that is, they asked for \$200 a day?—

‘A. For the *King Edward*?

‘Q. For the *King Edward*?—A. Yes.

‘Q. And after that was refused to them, \$125 a day was fixed upon. That would be a matter of consideration?—A. Yes, certainly.

‘Q. And no doubt use your best judgment upon the matter?—A. Yes.’

He is asked (page 5537, volume 13):—

‘Q. Now, will you explain, Colonel Gourdeau, how it came about that having made that contract, another contract was subsequently made and acted upon at a rate of \$200 a day?—A. I could not remember that. I would like to read the file.’

‘Q. Just wait, please. That an application was subsequently made by Holliday Brothers for an increase, and that you then wrote to Mr. Gregory referring to that application for an increase and asking him to consider it?—A. And report.

‘Q. And report; and if he thought it reasonable, then that he was to certify the accounts for the increases?—A. Yes.

‘Q. Was that in the ordinary course of business?—A. If reasons had been given to increase that it would certainly be left to the agent to make a report upon.

‘Q. If reasons had been given?—A. Yes.

‘Q. Well, the reason given was that the man wanted more?—A. Well, I could not give any opinion or give any satisfactory answer without looking over the file.’

His examination was adjourned for the purpose of enabling him to examine the file.

It appears that Holliday proposed to meet the deputy in Ottawa, and a meeting took place about May 27 or 28, 1904, and the offer of \$125 was made.

Referring to the letter (page 5779, volume 13):—

‘Q. There is a definite distinct offer for \$3,750 per calendar month?—A. Yes.

‘Q. And that offer was made apparently after Mr. Holliday came to Ottawa?—A. Yes.’

This sum of \$3,750 per calendar month is at the rate of \$125 a day.

He explains (page 5780, volume 13):—

‘A. I took upon myself to offer that price, but there was no acceptance on his part. He said he would go to Quebec and consider it.

‘Q. No acceptance on his part?—A. No.

‘Q. He did not tell you he would accept it?—A. No. He was very much annoyed at my offering him that amount.

‘Q. He was. Then on June 2 he writes in answer to your letter of May 31, which was written the same day as his letter, you see?—A. Yes.

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'Q. You wrote him on the 31st, offering \$3,750?—A. Yes.

'Q. He wrote you on the same date seeking to confirm what he understood to be 'a verbal agreement. Then on June 2 he wrote you: "We beg to acknowledge 'receipt of your favour of the 31st *re* chartering of steamship *King Edward*, which 'proposition we are pleased to accept." So there was a clear acceptance?—A. Yes.

'Q. Now, that constituted a contract between him and the department, did it 'not—A. Yes, so far.'

(Page 5782, volume 13):—

'Q.Well now, after that the contract was apparently departed 'from?—A. Yes.

'Q. Departed from. And after that, and on June 18—that is a little more than 'a fortnight afterwards?—A. Yes.

'Q. A document is produced of date June 18, a little bit more than a fortnight 'after the acceptance and making of the former contract, whereby a new contract 'is made at the rate of \$200 a day?—A. Yes.'

As I have mentioned before, this document dated June 18, was not prepared or signed until late in the following year of 1905, and has never been completed by the signature of the minister.

He proceeds to state that the contract was varied with the sanction of the minister (page 5783, volume 13):—

'Q. Yes. Can you show me any record of the sanction of the minister?—A. No.

'Q. You cannot?—A. But Mr. Power can testify to that.

'Q.A. I would not mention that unless I had somebody to cor- 'roborate what I am telling you.'

Then he states that there is nothing on the file which shows any recognition by the minister (page 5784, volume 13):—

'Q. There is no record of any endorsement of it by him (Mr. Prefontaine). 'The rule is that all contracts are approved by him in writing in one form or another: 'is that not the rule?—A. A memorandum.

'Q. Is it not so?—A. Yes.'

I asked him (page 5785, volume 13):—

'Q. Can you give us the date? (Referring to the change.)—A. I cannot give 'you the date.

'Q. Can you say how long after June 2?—A. I could not tell, my lord.'

A memorandum dated July 4, was produced. It is signed by O. G. V. Spain, and is headed, 'Memorandum for Deputy Minister.' It states:—

"In reference to the minister's note in regard to the chartering of the *St. Lawrence*" and so forth. It goes on to state that two boats had been suggested 'for the work, one the *King Edward*, the other the *Polino*. Then occurs the follow- 'ing: "Holliday Brothers originally asked \$200 a day for the chartering of this 'vessel, but the department arranged to charter her for the sum of \$125 a day." On 'this memorandum appears in red ink in the deputy minister's handwriting, "Min- 'ister satisfied with explanation. F. G. 6-7-'04."

He is referred to this as showing that up to that date at all events there could have been no understanding of a variation of the contract as alleged by himself. He is confronted with this memorandum, and he is asked, referring to the memorandum (page 5789, volume 13):—

'Q. Is that right, do you think?—A. No, I do not think it is right.'

* * * * *

'Q. You put in the date yourself, July 6?—A. The date I initialled it.

'Q. Yes?—A. Yes, I might have initialled that long after it was prepared.'

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(Page 5790, volume 13):—

'Q. But how could that be? This is signed by Mr. Spain, and signed by you, and here it is. Now, you say the minister agreed to the \$200 a day about the time of the making of the contract?—A. Yes.

'Q. And your memorandum is: "Minister satisfied with explanation." Signed with your initials 6-7-1904?—A. That refers to all those different steamers.

'Q. It refers to what is written there I suppose?—A. Yes.

'Q. Yes. Now, what have you got to say about the minister in the face of that?—A. I have got to say that the minister decided to give him \$200 a day.'

* * * * *

Q. Then was this a correct record, or an incorrect record?—A. I do not think it is a correct record.

'Q. Oh, you think this is an incorrect record?—A. Yes.

'Q. It is on file?—A. Yes.

'Q. Numbered?—A. Yes.

'Q. Dated?—A. Yes.

'Q. In the regular way?—A. That does not make any difference.

'Q. Signed by you, and an incorrect record?—A. Yes, so far as the *King Edward* is concerned.'

A letter is written by Mr. Gregory, the agent at Quebec, to the Deputy Minister. That letter is:—

'I have the honour to request that you please send me a copy of the contract made with Messrs. Holliday Brothers for the service of the steamer *King Edward*, that I may know what are really the conditions they contracted to carry out.'

There is a memorandum on this by Mr. Stumbles referring it to Commander Spain and stating, 'The contract was not made out by me and I know nothing concerning it. W.W.S.'

On July 29, 1904, in answer to Mr. Gregory, Colonel Gourdeau writes:—

'Answering your letter in regard to the contract made with Messrs. Holliday Brothers for the service of the steamer *King Edward*, I beg to inclose you a copy of the department's offer dated May 31 last, and their acceptance of same dated June 2, 1904.'

According to his evidence, long previously the contract had been changed and the sum of \$200 a day agreed to be paid.

He is asked to explain. (Page 5793. Volume 13):—

'Q. The 29th July. You have said it was in existence a considerable time before that. Is this letter incorrect?—A. No. It was arranged, but we wanted to have the opinion of the agent before it was definitely settled.'

* * * * *

'Q. Is this letter a correct statement of the facts?—A. Let me see that letter. (Peruses letter). Yes, that letter was prepared by——

'Q. I did not ask you who it was prepared by. Is that a correct statement of the facts?—A. No, it is not.'

* * * * *

'Q. Let me have it again. We have it answered to-day. I do not want any possible misunderstanding. On July 29, 1904, the date of this letter, was there an arrangement between the department and Holliday Brothers that Mr. Holliday was to be paid \$200 a day? That is a very plain, simple question?—A. I think there was.

'Q. You think there was?—A. Yes

'Q. That arrangement was represented by the contract which is here signed by him?—A. Yes.

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This answer refers to the written document of June 18, which in point of fact was not signed until the following fall and long after the payment had been made.

Referring again to the letter of July 29, the question is put:—

‘Q. Of course, that makes it a very clear misstatement of fact in this letter?—

‘A. It looks like it.

On August 1 a letter was written by Holliday Brothers to the late Minister, in which they point out:—

‘We beg to call your attention to the fact that since taking up the contract with your department for the carrying of construction, &c., our ship, the *King Edward*, has been constantly running, consequently our working expenses are much greater than we had at first anticipated.’

It proceeds to point out the extra expense to which they have been put.

‘Q. We have good reason to believe that so far the work has been done to the entire satisfaction of your department, and therefore think we are entitled to \$200 a day, the amount we originally asked for.’

That letter was forwarded to the agent in Quebec by a letter of August 8, 1904, in which the deputy states:—

‘I am forwarding you to-day copy of a letter from Messrs. Holliday Brothers, Quebec, in reference to the steamship *King Edward*. I shall be obliged if you will communicate with me and let me have your opinion in regard to the matter about which they write.’

It was pointed out to Colonel Gourdeau in his evidence that this letter was signed by Mr. Magee (page 5796, volume 13):—

‘Q. This is signed by Mr. Magee for the Deputy Minister of Marine and Fisheries?—A. Yes.

‘Q. Did you see that letter?—A. Yes.’

Colonel Gourdeau left for British Columbia on August 10, 1904, and returned on September 3.

On October 11, 1904, a letter was sent to the agent at Quebec by the deputy minister, as follows:—

‘I have to inclose some accounts from Holliday Brothers of Quebec, &c. You will notice that this firm is charging at the rate of \$200 per diem. The rate agreed upon by the department was \$125 per day. I shall be glad to hear from you if you consider this extra amount fair and just on account of the particular character and hardship and wear and tear of the vessel which was necessary, and if so, you will certify to the account.’

The agent at Quebec replied by letter of October 21, 1904, acknowledging the receipt of the letter of the 11th instant and inclosing the accounts of Holliday. He states —

‘You will notice from my former correspondence that I protected Messrs. Holliday Brothers’ interests all I could, compatible with my duty. Messrs. Holliday Brothers have made out the time of their vessel at \$200 a day. I consider this a fair allowance for the work she had to do in the localities where she performed that work, if employed solely for the department, but as the vessel lost some time on each trip below going and coming for the benefit of Messrs. Holliday Brothers’ own trade, I think some deduction should be made. I have told these gentlemen so, but I regret to say they appear to attribute wrong motives to the manner in which I tried to settle this matter.’

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On October 27, 1904, the deputy minister wrote the agent at Quebec acknowledging receipt of October 21:—

‘In reference to the payment of \$200 a day to these gentlemen for the use of their vessel, I shall be glad if you will be good enough to suggest what deduction you think should be made from this per diem allowance on account of the time which the vessel lost on each trip looking after the owner's own trade.’

He is asked (Page 5812, Volume 13.):—

‘Q. Now, Mr. Gourdeau, throughout this correspondence after June, there is not the slightest reference in the world to this contract for \$200 a day, dated the 18th of June. How do you account for that?—A. It is an unfortunate occurrence, but the thing is without doubt. It was arranged he should get \$200 a day, and the conditions were not the same as when he was getting \$125.’

‘Q. And these statements in the letter?—A. Are unfortunately in error.’

‘Q. They are false?—A. Well, they are not correct.’

Q. I point out to you, Colonel Gourdeau, it is not a matter of any inaccuracy or mistake. It must necessarily be a matter of deliberate misstatement, is not that so, plainly so?—A. Yes, that letter looks like it.’

On November 11, 1904, a letter was written apparently by the deputy, but it would appear that it was not signed by him, but by W. L. Magee

Apparently a letter was written on November 20 to the agent at Quebec, and on December 4 a telegram was sent:—

‘J. U. Gregory, agent, Marine and Fisheries Department.—Department awaiting information asked for in letter, November 20, in reference to *King Edward*.’

‘Signed by Deputy.’

It being pointed out that these were inconsistent with the story told, the deputy answers (page 5830, volume 13):—

‘Q. Well, the letter and the telegram are absolutely inconsistent with the facts, are they not?—A. Yes.’

Again, referring to the correspondence (Page 5831, Volume 13.):—

‘Q.Now, Mr. Gourdeau, that letter is also a plain misrepresentation of the facts, is that not so?—A. I think it is.’

(Page 5834, volume 13):—

‘Q. Then, there is a letter from Mr. Gregory, of the 21st December, to you. (Reads letter, part of Exhibit 416.) That was the first time apparently that it was signed by Holliday Brothers?—A. Yes, that had been neglected.’

‘Q. Yes, December 21, 1905. (This refers to the contract placed on file and bearing date June 16.)’

Referring to the late minister (Page 5835, Volume 13):—

‘Hon. Mr. CASSELS.—As far as he is concerned (referring to Mr. Préfontaine) there is no proof whatever of any contract by him.’

‘Mr. WATSON.—No. Now, that is the condition of affairs?—A. Yes, as it looks on the file?—A. As it looks on the file.’

‘Q. As it looks on the file?—A. Yes.’

To my mind it is impossible to read this evidence and correspondence and to come to any other conclusion than that which I have stated above.

I pass over the purchase by the deputy of the gasoline launch from Beauchemin and its subsequent sale to the department by Cunningham. The evidence can be perused by any one.

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The Coghlen purchase of silverware for the *Montcalm* has some new light thrown upon it by the evidence of Mr. Coghlen's son given in Montreal.

J. B. A. BOUDREAU.

Mr. Boudreau is the assistant accountant of the Marine Department.

The charge is made against Boudreau by VanFelson, who was the manager of the Peoples Bank of Halifax in Quebec, that he (Boudreau) demanded \$3,000 as the condition upon which the amount due Holliday for the service of the *King Edward* in 1904 should be paid. I have referred to the *King Edward* contract dealing with the position of Colonel Gourdeau.

The amount due Holliday in respect to this contract and for other services was the sum of \$30,400. This was paid on June 17, 1905.

The whole story as stated by VanFelson is wrapped in mystery. I understand the case will come before a jury in Quebec, and possibly they will be able to unravel it.

Before dealing with the evidence there are a few salient facts that should be considered.

(1) The evidence of Holliday, to say the least of it, is far from satisfactory. In his earlier evidence in regard to his cheques (page, 2606, volume 7):—

‘Q. Have you got the cheques?—A. No. These cheques are missing from February, I think it is, from February up to 1st July.

‘Q. February, 1905?—A. February, 1905.

‘Q. What bank?—A. The Peoples' Bank of Halifax.’

Now, knowing his cheques were destroyed, he will not pledge his oath that he did not sign three cheques for \$1,000 each, as stated by VanFelson. He takes the position: Produce the cheque and I will admit them.

(2) In his ledger there was a special account. This sheet containing the account three months or thereabouts before the hearing in Quebec was moved from the ledger and transferred to another ledger without, it is stated, the authority of Holliday. It is sworn by the clerk that the sheet is the same sheet. There was no reason for the substitution of this sheet from the old ledger to the new. It may be that the transferred sheet gave no information of use in this inquiry. I should have liked the privilege of seeing the sheet as it was in its proper resting place.

(3) Holliday received about the sum of \$6,600 for the services of the *King Edward*, which he never should have received.

(4) VanFelson states that he (Holliday) signed three cheques for \$1,000 each. He thinks he cashed them, one at the Banque Nationale, one at the Quebec Bank and one at the Bank of Montreal.

It is proved that a cheque of Holliday Brothers drawn on the Peoples Bank was cashed at the Quebec Bank on June 19. This cheque was for \$1,000.

It is also proved that two cheques for \$1,000 each, drawn on the Peoples Bank, were cashed by the Banque Nationale on June 16. Each of these cheques was for the sum of \$1,000. It is not proved that these two latter cheques were cheques of Holliday Brothers. There is no proof by whom they were signed.

It is shown, however, by the production of the books of the Peoples Bank that to the steamer account of Holliday Brothers the sum of \$30,300 was deposited on June

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17. (The extra \$100 is not accounted for.) On June 17 the steamer account of Holliday Brothers was charged with \$1,000. June 17 was a Saturday. On June 19 the steamer account of Holliday Brothers was charged with the sum of \$4,018.86.

(5) It is difficult to understand what motive VanFelson could have in fabricating the story.

Now, on the other hand, certain salient facts must be considered.

(1) It is difficult to understand why anyone would advance the \$3,000, as detailed by VanFelson, prior to the account being paid. Had the allegation been that a bargain was made prior to the payment and carried out subsequently when the account was paid, I could understand it.

(2) As the case was presented to me the three cheques must have been cashed prior to June 6, otherwise the corroborative evidence of Lawrence falls to the ground.

(3) There is no evidence forthcoming of any cheques cashed prior to June 16.

(4) VanFelson, in his evidence, shifted his ground.

(5) Boudreau gives an absolute denial to the whole story. In addition he states he never was in Quebec in June; he may have been in May. The attendance book corroborates him, except as to May 13 and June 17, each of these days being a Saturday.

As a rule I would not place too much stress on dates, nor would I rely too much on the attendance book. In this case, however, as it has been presented to me, dates are of importance. The alleged payments must have been prior to June 6, or the evidence of Lawrence is fabricated. He left on June 5 or 6, and was not in Quebec subsequently.

In the evidence at the trial VanFelson alleged in the most positive manner that the transaction in question occurred somewhere between June 5 and 12.

Lawrence, the accountant, was called to corroborate him. He gave positive evidence to the effect that Boudreau was in Quebec, that he shook hands with him, having known him before, and that VanFelson called his attention to Boudreau and asked him to remember him. He also states that he saw VanFelson go out for the purpose of getting bills, and that he saw the bills in his hands when he came back. He deposed in the most positive manner to these facts. He, however, pointed out that he left the bank early on June 5 or 6 of that year, and the occurrence, he thinks, took place towards the latter part of May.

This being the statement of Lawrence, and the evidence of VanFelson being positive that Lawrence was present on the occasion in question, VanFelson had to withdraw some of his statements and place the date of the occurrence somewhere towards the end of May or the beginning of June.

Every possible effort was made to try and trace the cheques in question. All the banks were inquired of. There is no trace of any cheque of Holliday's except, as I have stated, of June 19 and 16.

I have come to the conclusion that on the evidence as presented before me the case against Mr. Boudreau is not proven.

MR. DESBARATS.

So far as the evidence before me is concerned, Mr. Desbarats appears to be a most capable and efficient officer.

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I have nothing to find against him other than the remarks which I had occasion to make in referring to the Halifax evidence.

COLONEL W. P. ANDERSON.

In regard to Colonel Anderson I find that any charge of lack of conscience or improperly receiving gratuities is without any foundation.

In dealing with the Diaphone Fog Signal I had occasion to make some remarks in regard to his connection with the purchase of these signals.

When at Quebec Mr. Parent gave evidence. He was appointed engineer of construction. It would appear from his evidence that he was under the impression this involved the right to purchase materials, and having made inquiries he found that brick could be purchased at a price about \$1.50 per thousand less than what was being paid by Mr. Gregory for brick of a similar quality.

On March 17, 1906, he wrote a letter to Colonel Anderson, which reads as follows:—

‘With further reference to your letter of the 14th instant, I am sorry to see that the explanations furnished in my letter of the 5th instant have not been found satisfactory. I signed this account because I knew perfectly well that later or sooner the account would have to be paid out of the construction vote.

‘When I first arrived in Quebec I was handed over all construction matters and expected to control, more or less, the issuing of the orders as well as the cost of materials. Later on, and this in the presence of Mr. B. H. Fraser, I was severely called down by the agent for inquiring from outsiders the market value of certain articles, such as brick, &c. I was simply forbidden to do so. After the discussion between Mr. Fraser and the agent, it was decided that in the future I certify to the articles received and wanted. Later on again when Mr. Fraser was in Quebec it was furthermore agreed that all the orders for the purchase of goods, whether for construction or other purposes, were to be signed by the agent. You can judge by the above the position I am in, and I do not know exactly how I am to certify accounts and be kept responsible for the expenditure when I cannot control the prices or purchase of materials myself. It seems to me that these various orders or understandings could be somewhat amended and that I should be told exactly what to do, as at present matters seem to me to be pretty well mixed up.

‘I have always endeavoured to remain on good terms with the officers of the agency, as I felt this to be the desire of the department.’

Then he says:—

‘I am furnishing you the above information under private seal. Mr. Fraser knows all about this, and could give you more details.’

In answer to this letter Colonel Anderson wrote the following letter:—

‘March 23, 1906.

‘SIR,—Replying to your personal letter of the 17th instant, with reference to your certifying accounts for construction, I have to advise you that Mr. Fraser’s intention was to have you certify only to the correctness of the quantities and the amount of labour, leaving Mr. Gregory responsible for the prices. Mr. Fraser is going to Quebec to see you and Mr. Gregory, and will discuss this and other matters personally with you. At the same time I cannot too strongly impress on you the necessity for economy throughout the coming year, as we have not had proper control over our vote during the present year.’

This was an intimation that excessive prices were being paid.

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Colonel Anderson took no steps to bring the matter to the attention of the authorities other than, as he states, to lay the letter of Parent to himself and his answer before the deputy.

B. F. Fraser was Colonel Anderson's chief clerk, and I would have thought that inquiry would have been made of him as to the truth of the statements contained in Mr. Parent's letter, and some notice taken of the allegations.

The Deputy denies any knowledge of the letter. In any event, the mere placing of the letter before him and the answer would not convey the purport of Parent's complaint.

Colonel Anderson explains this in this way (page 6435, volume 14):—

'Q. Did Mr. Fraser tell you that that had all taken place in his presence?—A. I do not remember the substance of the conversation now.

'Q. It is not very old; this is March, 1906?—A. My own feeling in the matter was that I was absolutely helpless under the existing organization.

'Q. You are the chief engineer of the whole department?—A. I may be the chief engineer of the whole department, but I had no right to purchase anything in Quebec; 'everything had to be purchased through the agent.'

I think under the circumstances the attention of the Deputy should have been called to this information conveyed by Mr. Parent.

In the report of the Civil Service Commissioners various matters are referred to in connection with the administration of Colonel Anderson's department.

I have nothing to do with the manner in which the engineering department was conducted.

I may say, however, in justice to Colonel Anderson, most of the matters complained of by the Civil Service Commissioners were satisfactorily explained in his evidence given before me. I think it a pity that he had not been asked for personal explanations by the commissioners.

COMMANDER SPAIN.

In the evidence of the Auditor General given before me the following letter, dated June 24, 1907, to the Deputy Minister, is set out (page 6011, volume 14):—

'I think you told me about a year ago that you informed Commander Spain that it would be necessary for him to give you a memorandum whenever he proposed to leave Ottawa on government business, &c., 'For the purpose of checking his account of travelling expenses. I have to request that you will furnish me with a statement giving the dates of his departure and return and the nature of the business on which he was engaged during the nine months ended March 31, 1907.'

On November 7, 1908, the Auditor General wrote Mr. Desbarats, acting deputy minister, as follows:—

'I wish to call your attention to the accounts of Commander Spain of your department for travelling expenses for the fiscal year 1907-8, and to say that notwithstanding the fact that these accounts appear to have been approved by Colonel Gourdeau, deputy minister, I cannot accept them, as they bear on their face the too evident appearance of incorrectness. It is almost an impossibility for this office to test anything more than the mathematical correctness of an account for travelling expenses unless we take unusual and distasteful means to obtain information. 'It is sufficient under the Consolidated Revenue and Audit Act to have the accounts bear evidence of having been examined by the department having control and

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'vouched for by some officer having a personal knowledge of the expenditure, and' 'in most cases this is found sufficient. For various reasons, I cannot, in the case of' 'Commander Spain's account, accept these conditions.

'On an examination of his accounts for 1904-5 they were found to bear such' 'evidence of incorrectness that unusual means were adopted, with the result that' 'about one-sixth of the whole sum had to be refunded, and the circumstances were' 'such that the deputy minister undertook to say that future accounts should be' 'correct.

'The present difficulty appears to be a continuance of the practice complained' 'of in 1904-5, namely, charges for railway fares, &c., when, in my opinion, no travel-' 'ling such as charged for was done.

'In confirmation of this opinion, I enclose you a statement showing cases where' 'Commander Spain was sitting in his court as Wreck Commissioner at Montreal' 'on certain days, while, according to the charges in his account for railway fares,' '&c., he would have appeared to have been in other parts of the country. As the' 'records actually show that he was in Montreal, there can be no doubt about the' 'irregularity of the charges for fares to Quebec, &c., and as his accounts have been' 'proven to be wrong in these instances, they may be wrong in other cases also where' 'I have not the material, &c.'

'I am therefore obliged to reject the whole amount, and suggest that you should' 'take some means to test the accuracy of the whole account, and obtain a refund of' 'such amounts as may not be properly accounted for by the Auditor General and the' 'acting deputy.'

It appears that Commander Spain, together with other officials, are given at the beginning of the season a certain appropriation. At the end of the fiscal year they have to account for their expenditure, and a refund is made of the balance.

In the years complained of, 1904-5, objection was made to the accounts of Commander Spain. It was suggested that he had charged for travelling and other expenses a sum amounting to about \$600.

The attendance book in Ottawa showed that on certain occasions when these charges were made Commander Spain was in Ottawa.

His explanation was that he had lost his books. His secretary, Mr. Gordon, was dead. He signed an affidavit, duly sworn to, vouching for the correctness of his accounts.

I fail to see how any one could make such an affidavit without first taking all the means in his power to ascertain the correctness of the facts.

Objection being made, Commander Spain refunded a sum of money amounting to about \$600.

I think in a matter of such a grave nature, his character being attacked, that he should have endeavoured to prove the correctness of his account.

Notwithstanding this fact, however, the offence seems to have been condoned.

I have no doubt Commander Spain is a capable and efficient officer.

Now the question crops up again, and I have read the charges made by the Auditor General.

Commander Spain was allowed the fullest latitude of explanation. No satisfactory explanation has been furnished before me of the charges made by the Auditor General.

So far as the evidence shows before me, he has been charging sums for travelling expenses when the records show that he could not possibly have been in the places

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where he alleges he was, and in respect of which the charges were made. For instance, he alleges that he made a trip to Fort William, and he has charged for this trip as of the wrong date. It would have been very easy to have brought evidence proving the truth of this contention. No such evidence has been adduced, although the fullest latitude for the purpose has been allowed.

It is impossible for met to absolve him from the charges brought against him by the Auditor General as the matter stands before me.

Another question has arisen in regard to Commander Spain.

A large amount of work has been performed for the department by the Polson Iron Works of Toronto. To a considerable extent Commander Spain had to certify to the correctness of these charges.

It appears that Commander Spain left with the Minister and the deputy minister for the Northwest on or about August 10, 1904, returning somewhere about the first week in September of the same year.

He alleged that when in Toronto it was supposed that they might visit Port Simpson. The allegation is that Mr. Polson desired him to invest certain money in the purchase of land at this place.

It appears that sometime in August, Commander Spain telegraphed from Victoria to the Polsons to have the sum of \$500 remitted to him. On August 18, 1904, the firm of Polson Brothers wired a credit of \$500 to Commander Spain.

The firm of Polson Brothers is mainly financed by Mr. Miller.

This entry of \$500 is charged to the special account of Mr. Miller, and, as far as the facts show, is carried into the profit and loss account. Mr. Polson had an interest in the profits and bore his share of this loss.

Commander Spain states that he went to the bank in British Columbia, obtained the money in bills, placed the money in an envelope, and, as the minister decided not to go to Fort Simpson, he kept the money as he had got it at the bank, and while passing through Toronto gave it back to Mr. Polson.

There is no entry whatever in the firm books of Polson & Co., showing a refund of this money.

If, in point of fact, the money had been returned, it was the duty of Mr. Polson to have refunded it and not to have had the firm charged with the advance. Mr. Polson is dead. There is no evidence except the evidence of Commander Spain and the books of the firm.

Commander Spain's explanation is (page 5197, volume 12):—

'Q. You were going to do him the favour of making an investment?—A. Certainly, that was my intention if I went to Port Simpson. This can be all corroborated rather luckily.

'Q. What do you refer to?—A. Because my brother was there at the time and he proposed to give me some money to do the same thing.

'Q. So your brother offered you some money to invest. When did you see him, when you met Mr. Polson at his house?—A. No. My brother was in British Columbia when I told him all about it.

Q. Eh?—A. I told him all about it.

'Q. You told him all about it, yes?—A. And he proposed to do the same thing.

'Q. What is that?—A. He proposed to do the same thing.'

The corroborative facts have not been placed before me.

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I merely set out the facts as they were shown in evidence.

I am unable to find the charge in regard to this \$500 proven as against Commander Spain.

J. F. FRASER.

J. F. Fraser was the commissioner of lights. He was suspended on or about April 1, 1908.

After the date of his suspension he was given access to certain files of the department. According to the evidence of McClenaghan, the clerk in charge of the records, additions were made to the file or files of correspondence not placed there in the regular manner.

It would appear that Fraser, in disobedience to the orders of the minister, had made purchases from Merwin and Brooks, of notoriety.

Colonel Gourdeau puts it as follows (page 6294, volume 14):—

‘Q. Do you recollect that instructions were given by the minister to Mr. J. F. Fraser that no further purchases were to be made from Merwin & Company and F. L. Brooks & Company?—A. Yes, I think I remember that order.

‘Q. You remember that?—A. Yes.

‘Q. And were those instructions communicated to Mr. Fraser?—A. They were given in my presence.

‘Q. Were those instructions observed or not?—A. Well, it turned out they were not observed.

‘Q. Were purchases made after that time by Mr. Fraser from Mr. Merwin and Brooks & Co., contrary to the directions given by the minister in your presence?—A. Yes. That is what the minister tells me——

‘Q. That was the order of the minister, and that order was disobeyed?—A. Yes, it was.

‘Q. By Mr. Fraser?—A. Yes.

‘Hon. Mr. CASSELS.—It was about the time of the investigation before the Public Accounts, the first investigation?—A. Yes.

‘Mr. WATSON.—That was the winter of 1905 and 1906?—A. Yes.’

(Page 6295, volume 14):—

‘Q. That was given in 1906, and according to my instructions, after that time purchases were made from Mr. Merwin amounting to about \$50,000 in 1906, and in 1907 amounting to over \$12,000 after that time?—A. Yes, that is the fact.

‘Q. And from your books very large sums as well?—A. Yes.

‘Q. How can you account—can you, as deputy, account for any such condition of affairs?—A. I do not know what excuse Mr. Fraser gave.’

It seems to me impossible to acquit Fraser until the transactions with Merwin and Brooks are satisfactorily cleared up.

A great deal of time was taken up before the Public Accounts Committee during the year 1906 in reference to these accounts. It was shown that very excessive prices had been paid. Merwin was examined at very great length before the Public Accounts Committee. Mr. Charles N. Dawson was called, and swore that G. T. Merwin was the junior partner with Brooks. Merwin was called on May 9, 1906, and he stated that he was a member of the firm of F. L. Brooks & Co., he stated that the firm was composed of F. L. Brooks and himself. He showed contracts were made in the name of F. L. Brooks, and some of them in his name, as agent for the Safety Company and for the Submarine Company. A large amount of evidence was given showing the personal dealings with Merwin as a partner of this firm.

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He was examined before me on two or three occasions in Ottawa and Montreal. His evidence is absolutely unreliable.

Before me he denied being a partner of Brooks. His statement was that he had lent Brooks \$2,500, that that \$2,500 had subsequently been paid, that he had no interest whatever with Brooks as a partner, that he had merely introduced him to the minister or deputy minister, and that was the end of it. His cross-examination was very lengthy, and can be read by anyone desiring to see the nature of his evidence.

Before the Public Accounts Committee the books of Brooks & Co. were not produced.

When in Montreal it was thought that great light might be thrown upon these transactions if the books could be seen and the evidence of Brooks taken.

Merwin, when confronted with his evidence before the Public Accounts Committee and asked to explain how he could give such evidence in the face of the testimony given before me, sought to explain it by stating that he was swearing for Brooks, that it was inconvenient for Brooks to attend in Ottawa, that Brooks had furnished him with a statement, and that when giving his evidence he was giving it for Brooks.

It was thought by counsel, and I concurred, that the matters would never be properly investigated until the books of Brooks were produced and Brooks examined.

A letter was then written to Brooks to know whether he would attend for examination. The following telegram was received from him, addressed to George H. Watson, Montreal:—

‘If commission comes to New York, will give evidence. Notify me as to where and when to appear.’

Mr. Watson telegraphed as follows:—

‘Telegram received. Will you undertake to produce all your books of account at the same time? Please rush answer.’

His answer was:—

‘Will produce books of account showing dealings with the Marine Department.’

He telegraphed to Mr. Perron on October 8, 1908, as follows:—

‘In order to avoid any suspicion that my transactions with the government were not perfectly right, I am willing to appear with my books before a commission that you may bring to New York any time next week. (Signed) F. L. Brooks.’

Such being the position of matters I went to New York hoping that we might get the fullest discovery of the various dealings with Brooks and also with the two other companies represented by Merwin hereinbefore referred to. I am sorry to say the trip proved futile.

Brooks appeared before me with counsel. He submitted his ledger a considerable portion of it being sealed up. He permitted myself and Mr. Watson to look at the private accounts of Merwin.

Speaking in a general way, they indicated the receipt by Merwin of over \$40,000 as his share of the profits.

Next day Brooks appeared and, although advised by his counsel to submit for examination, he declined, taking the ground that while he was willing to give every information, he was not willing to be sworn as a witness. This information not under oath would be of no use. I had no power in this proceeding to compel his examination.

The ledger which he showed to me had every appearance of having been written up at one time.

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It would appear that Fraser had been in New York in the office of Brooks & Co., on one or two occasions just prior to my visit to New York. He was also represented in New York by counsel, who pleaded strongly for an examination and a full production.

If the accounts of Merwin and Brooks with the Marine Department had been proper accounts, they could have been verified in Ottawa from the papers on the files.

I do not see why Fraser should have been so anxious to see the books.

I am under the impression that if Fraser had not gone to New York matters might have turned out differently and the truth been elicited. As it is, however, the matters rest where they were.

Another matter in regard to Fraser not explained is that in the evidence of William J. Allan, of Prescott.

It would appear that he had an account against Fraser. Mr. Allan was acting on behalf of Mr. Willard.

It would appear that he was dealing with the Department of Marine and Fisheries, and had an account against the department. Fraser certified to this account that the prices were fair and reasonable.

It would also appear that Fraser was dealing with Willard, obtaining the same classes of articles that had been furnished to the department. In his personal account the goods were furnished to him at about 25 per cent lower prices than the same class of goods furnished to the department.

I think this called for an explanation, which was not given.

In reference to one item, Fraser referred to an expenditure of \$18,000 in which he stated the percentage of profit works out roughly at 50 per cent. He certified to these accounts.

He explains it as follows (page 829, volume 3):—

‘Q.There has been complaint about your individual transactions as an official with these companies; is not that so?—A. I understand it is. I judge it in a general way from what evidence has been given here.

‘Q. Now, that relates, as I understand, to excessive prices that you have paid to these firms, and that you have dealt exclusively with them at these excessive prices?—A. That statement is broad, and is not in its entirety correct. There is only one instance of what might be called excessive prices, nothing else.

‘Q. When was the one instance?—A. That is a matter which was referred to in the Public Accounts Committee in 1906 with reference to a matter of certain machinery, and has reference to the purchase of certain machinery. That is the only instance in which there has been what might be called excessive prices.

‘Q. And in that case an excessive price was paid?—A. It was so shown.

‘Q. How do you explain that?—A. I explain that simply in this way: that when it became necessary to obtain this material I was directed by the then minister to get it from one person. When this invoice came in for that material it was laid before the minister. I was not able to tell him the exact percentage of increase in cost, but I explained to him it was very high, and he virtually gave me directions to pass the bills. I may say here I did not give this explanation when the matter was before the Public Accounts Committee, but I have no intention of taking the onus of responsibility in that matter any further.

‘Q. To whom are you referring?—A. To the late Minister of Marine.’

‘Q. Well, you assumed responsibility for it?—A. By direction virtually. Do not misunderstand me. It may not excuse me in this particular case, but that is the

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‘ explanation. Now, you cannot find anything else in the accounts I have passed, so far as I know, of excessive prices.

‘ Q. What was ordered at that time?—A. Certain standard machinery. I mean to say, lathes, planers and things like that.

‘ Q. At what disbursement or expense, speaking roundly?—A. I think the total expenditure was \$18,000.

‘ Q. \$18,000?—A. Yes.

‘ Q. To what amount was it an excessive payment?—A. I understand the percentage of profit works out roughly at 50 per cent to a middleman.’

‘ Q. Did you certify the accounts on?—A. Certainly, that is the point.’

‘ Q. Who was the middleman?—A. The firm of F. S. Brooks, I believe.

‘ Q. Practically the same firm?—A. As what?

‘ Q. As Merwin?—A. I don't know.’

I would place very little reliance on his statement made at this late day trying to shift the responsibility upon a man who is not here to speak for himself. Moreover, as I have pointed out, subsequently large orders were given to the same people in direct disobedience to the orders of the minister.

LOUIS RICHARD.

I find I have omitted to deal with the case of this man.

It was stated by Audibert, Drolet's bookkeeper, that Richard had been paid the sum of \$25.

At the time of the inquiry in Quebec, Richard was absent at Belle Isle and was unable to give his evidence. He furnished me at the earliest date with a declaration explaining the matter.

While in some respects the explanation is not quite as clear as it might be, I think it may be accepted, and I absolve him from blame.

During the investigation the names of the late Honourable James Sutherland and that of the Honourable C. A. Sifton have been referred to.

I think it only fair to the memory of Mr. Sutherland, and also to Mr. Sifton, to state that no evidence has been adduced before me casting reflection on the character of either of these gentlemen.

The name of the late minister, the Honourable Raymond Préfontaine, has also been referred to.

I am not here to judge Mr. Préfontaine nor his policy, or the manner in which his department was administered.

There are but two places where I would consider any reflections are cast upon him. The one I have referred to in dealing with J. F. Fraser; the other statement is a statement made by Mr. Gregory in his evidence given at Quebec.

He stated in reference to Davie, who has been referred to in the Quebec evidence, and who gave for a period of about eleven years to Mr. Gregory the sum of \$500 per annum, as follows (page 3256, volume 8):—

‘ A. I was very friendly with Mr. Davie and when anybody came here requiring repairs I referred him to Davie. I do that now. I did not think that a reason for me to ask Davie for anything, but I certainly was on such terms with Davie

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'that when my minister said: 'Try and get some money out of those who can afford to pay it, I said: 'The only honourable man I would trust myself with is George Davie. He is an old friend of mine. I will go and tell him what it is for, and if he will lend me the money I will take it.'

It has to be borne in mind that for years preceding this alleged interview and for long prior to Mr. Préfontaine becoming minister, Gregory had been receiving yearly sums from Davie, as pointed out in the Quebec evidence.

I think it would be very unjust to the memory of the deceased statesman to accept such evidence as that of Gregory or J. F. Fraser as casting any slur upon him, and I feel it my duty to state that I do not so accept it.

Nearly all the officials of the department have been examined before me. I do not name them individually, but I may state that any not named are free from any imputation of wrongdoing. Not that I desire to convey that those named are guilty of wrongdoing. I have reported on each and given my conclusions.

Now, sir, I have completed my task. I have endeavoured to inquire into and report upon each and all of the various matters brought before me.

I have, perhaps, quoted too freely from the evidence. On the other hand, the evidence is so voluminous that it may be I have omitted to deal with some matters that should have been considered.

Before concluding, I may be pardoned if I make a few observations.

I am aware that what I am going to say is not within the scope of my duty as defined. I am also aware I have not the practical knowledge to guide me as to the feasibility of putting into practice my views. No harm, however, can come from my observations.

In the first place, the chief remedy for amelioration of the conditions I have sought to portray lies in the awakening of the public conscience. If the public generally could be brought to view with abhorrence graft and abuse of trust on the part of those administering the public moneys and property, the end of such abuses as have occurred in the past would be in sight.

Secondly, capable and efficient officials should be adequately remunerated.

Mr. Gregory, in the control of nearly one million dollars per annum, received a salary of \$2,200 per annum; Mr. Harding, in the control of about three hundred thousand dollars per annum, a salary of \$1,800 per annum; Mr. Parsons, in the control of about seven hundred thousand dollars per annum, a salary of \$1,600 per annum.

It is an easy matter for those in affluent circumstances to hold up their hands in horror; they have not been in a position to be tempted.

Thirdly, payments to those dealing with the departments should be made promptly. No opportunity should be allowed for the abuses such as have taken place in Quebec.

Fourthly, the abolition of the patronage system in the Department of Marine and Fisheries is a long step in the right direction.

It is, however, important that while the purchasing of supplies, &c., should be controlled by an able man like Mr. Doutre, a thorough and systematic inspection of the agencies should periodically be made, in order that the necessity of the requirements demanded should be inquired into, and also with a view to ascertaining if the supplies reach their proper destination.

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According to the evidence a saving of about one hundred thousand dollars per annum would be effected in the Marine and Fisheries Department alone by the change. Are there not other departments administered by the government which could be dealt with in the same manner?

Would it not be feasible to appoint a board of, say three competent men, assisted by inspectors conversant with ruling market prices, to act as purchasing agents for all the departments?

The office of the Auditor General is a very valuable and necessary one; but to leave the matter with him alone is only to lock the stable after the horse has been stolen.

I have the honour to be, sir,

Your obedient servant,

(Signed) WALTER G. P. CASSELS.

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(Copy.)

OTTAWA, January 19, 1909.

On a memorandum dated April 1, 1908, from the Minister of Marine and Fisheries, stating that it is deemed necessary to call attention to a part of the report of the Civil Service Commission referring to the administration of the Department of Marine and Fisheries.

The minister observes that some statements are made in that report which affect the honour and integrity of the officers of the Department of Marine and Fisheries. On page LXI of the report the following paragraph appears:—

‘There would also seem to be a lack of conscience. In connection with the enormous expenditures which are deemed necessary, the word “discount” never appears. It is tacitly assumed there is no such thing; but the whole commercial world knows otherwise. If one gets any benefit from trade with the government except the trader then it must be clear that in these great purchases made for the government, without discount, its officers must be assisting the trader to get better prices from the government than he can get anywhere else; for everywhere else he has to give a discount. In other words some of the government officers are serving two masters and apparently succeeding with both—scripture notwithstanding.’

The minister further observes that it is assumed by that statement that commissions are received improperly, or enhanced prices paid through dishonesty on the part of officials of the Department of Marine and Fisheries. But, unfortunately the report does not mention any names which would enable him to take definite action concerning those officials. It is, however, in the interest of the Department of Marine and Fisheries and of the country that immediate steps should be taken in order to determine what officials (if any) deserve condemnation and to give to all an opportunity to meet the charges implied.

The minister, therefore, recommends that he be authorized to appoint the Honourable Walter Cassels a Commissioner under part 2 of chapter 104 of the Revised Statutes of Canada, 1906, to investigate and report upon the foregoing statements contained in the said report of the Civil Service Commission reflecting upon the integrity of the officials of the Department of Marine and Fisheries, or any of them.

The Committee submit the same for approval.

(Signed) RODOLPHE BOUDREAU,

Clerk of the Privy Council.

The Honourable

The Minister of Marine and Fisheries.

CANADA.

To the Honourable Walter Gibson Pringle Cassels, the Judge of the Exchequer Court of Canada,

GREETING:

KNOW YOU that under and by virtue of part II. of the Inquiries Act, chapter 104, Revised Statutes, 1906, and under the authority of an order of His Excellency the Administrator of the Government in Council made in pursuance of said part II. and bearing date the first day of April, in the year of Our Lord one thousand nine hundred and eight (a copy of which is hereto annexed) and by virtue of all and every other power in that behalf vested in me, I, the Honourable Louis Philippe Brodeur, Minister of Marine and Fisheries of Canada, do hereby nominate, constitute and appoint you, the said Walter Gibson Pringle Cassels, to be a Commissioner to investigate and report upon certain statements contained in the report of the Civil Service Commission reflecting upon the integrity of the officials of the Department of Marine and Fisheries, or some of them.

To have, hold, exercise and enjoy the office of Commissioner as aforesaid unto you the said Walter Gibson Pringle Cassels, together with all and every the powers, rights, authority, privileges, emoluments and advantages by virtue of said part II, and otherwise unto the said office of right and by law appertain.

And I do require you as such Commissioner to report to me, at my office, at Ottawa, the result of your investigation.

Dated at the Department of Marine and Fisheries, at Ottawa, this sixth day of April, in the year of Our Lord one thousand nine hundred and eight.

(Signed) L. P. BRODEUR,

Minister of Marine and Fisheries.